

Deaths of Uganda archbishop and Amin ministers bring world condemnation

Deaths in Kampala of the Anglican Archbishop of Uganda and two of President Amin's ministers have brought strong reformation from the World Council of Churches,

the International Commission of Jurists and the Archbishop of Canterbury, Dr Coggan, among others. There was scepticism about the official version that they died accidentally.

Arrested men died in road accident, radio says

Feb 17.—The Anglican Archbishop of Uganda and two ministers were killed in a road accident in Kampala today, according to a statement issued by the Ugandan Government.

The Archbishop, Dr Jaaani, was travelling with Mr Charles Obote, the Minister of the Interior, and Mr Wilson Oyema, the Minister of the Cabinet, when the accident occurred.

The vehicle was overturned and the three men were killed. The accident occurred on a road between Kampala and Jinja.

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The Archbishop of Uganda, Dr Luwum, whose death was mourned by the General Synod yesterday. Obituary, page 14

After the death of the Archbishop and the two ministers, a presidential spokesman speaking by telephone from Kampala said: "It is a terrible shock to everyone."

Dr Luwum, aged 52, was enthroned in June, 1974 and was only the second African cleric to head the archdiocese which covered Uganda, Rwanda, Burundi and Boga Zaire, an area of western Zaire. A student of the London College of Divinity, he headed a community of three million Anglicans.

Dr Luwum, whose death was mourned by the General Synod yesterday, was a member of the Anglican Communion. He was 52 years old and had been in Uganda since 1962.

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Coggan voices Church's shock and outrage

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Dr Coggan added: "It came as a great shock to hear of the Archbishop's public arraignment, sudden arrest and almost immediate death while in the hands of the security forces, together with two ministers of the Cabinet who were also Christians."

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Dr Sakharov receives letter from Mr Carter

Moscow, Feb 17.—Dr Andrei Sakharov, the Russian dissident leader, received a personal letter from President Jimmy Carter, an unprecedented move that threatens to increase the American-Soviet conflict over human rights in the Soviet Union.

Dr Sakharov said the letter was the first he had ever received from the United States Government. It had been handed over to him at the American embassy in Moscow.

Dr Sakharov showed the original of the letter on White House notepaper to journalists. He said he had sent a reply to the President immediately. The letter was dated February 5 and came in reply to an earlier letter from Dr Sakharov to Mr Carter soon after his inauguration last month.

Dr Sakharov said he had been telephoned by a diplomat at the American embassy and told to go there.

An American official had met him outside the building and conducted him past the police guard. He spent some 30 minutes talking to the diplomat and giving his views on the human rights situation in the Soviet Union.

In his first letter to the President, dated January 21, Dr Sakharov called on him to carry out his pre-election pledges to defend human rights throughout the world. That letter, Dr Sakharov said tonight, was carried to Washington by an American who visited his flat. He gave no further details about the courier.

Dr Sakharov said he regarded the President's decision to communicate with him directly as "an expression of support for the human rights movement in the Soviet Union and Eastern Europe". He added: "If he has taken such a step it will not, I think, be an isolated one. After such steps, others always follow."

The President's letter said: "I received your letter of January 21, and I want to express my appreciation to you for bringing your thoughts to my personal attention."

Human rights is a central concern of my administration. In my inaugural address I stated: "Because we are well, we can never be indifferent to the fate of freedom elsewhere." You may rest assured that the American people and Government will continue our firm commitment to promote respect for human rights not only in our country but also abroad.

We shall use our good offices to release the prisoners of conscience, and we will continue our efforts to shape a world responsive to human aspirations in which the nations of differing cultures and histories can live side by side in peace and justice. I am always glad to hear from you. Sincerely, Jimmy Carter.—Reuter and AP.

Threat to détente, page 9

Mr Crosland's condition still critical

By Our Diplomatic Correspondent

Mr Crosland's condition remains critical, and there has been no further sign of deterioration or improvement, a hospital representative said yesterday.

The Foreign Secretary was admitted to the Radcliffe Infirmary in Oxford on Sunday, suffering from a stroke. He has been unconscious since then.

His wife, Susan, and her daughters, Sheila, who arrived yesterday from the United States, and Ellen, are at his bedside.

Government will ask Commons next Tuesday to approve guillotine on devolution Bill

By David Wood Political Editor

The Cabinet decided yesterday to ask the House of Commons to approve a guillotine on the devolution Bill. After conceding a consultative referendum in the Commons this week, Mr Foot, Leader of the House, and the Government Chief Whip will put their fortunes to the touch next Tuesday, when there will be a three-hour debate and then a division.

No one may yet be sure that the Government can win the division unless most of the 13 Liberals make common cause with the Scottish National Party and Plaid Cymru to support the Government. Some experienced government business managers still held last night that the guillotine motion will be narrowly defeated and that Mr Callaghan and the Cabinet will have to abandon the Bill and blame the Conservatives.

Mr Foot and Mr Cocks, the chief whip, however, had no choice except to impose a timetable. Amid all the opposition outcry in the House yesterday the news had a fairly good reception from backbenchers who want to make sure that the Scotland and Wales Bill does not obstruct all other business for most of the session. It is probably the least loved Bill that any government has introduced in recent years.

On present threats at least 20 Labour backbenchers, several of them from Scotland and Wales, will vote against the guillotine or abstain. But there will probably be more abstentions than votes against; and some Liberals, although they have lost the battle on proportional election of the Edinburgh and Cardiff assemblies, will not want to put the whole devolution proposal at risk by voting with the Conservatives.

Last night the unofficial whips of the Labour opposition of devolution said they were assured of 21 votes against the guillotine motion, possibly 22. Two Welsh Labour MPs, Mr Alfred Evans, Caerphilly, and Mr Leo Abse, Pontypool, intend to oppose the Bill to the end, and three other Welsh Labour backbenchers insist that they will abstain.

Others who say they will vote against the Bill, or a guillotine to carry it, include a few Scottish MPs and some English Labour backbenchers especially from the North-east and the North-west.

If the Government fails to carry the motion, the committee stage of the Bill will be abandoned. The Government will then have to decide whether to fight the Bill through until June or July, and then find it at risk in the Lords late in the session.

The threats of the Labour Party Executive Committee to abolish the House of Lords have put the peers, not least Labour peers, on their mettle. As a constitutional measure of high importance, the Scotland and Wales Bill could properly be given a long examination in the Lords, whether there is a guillotine in the Commons or not. Certainly, few peers feel they have much to lose by doing their duty as they see it.

Party managers on both sides of the Commons were assuming last night that the Liberal Party would split between the Government and the Opposition, and that the smaller groups in the House would counterbalance each other. That leaves the Government's fate in the hands of its own dissenting backbenchers; and both the Prime Minister and the government whips are at work on them.

Mrs Thatcher has sent out orders for a strict three-line whip. The only exception will be the pairing of Mr Crosland, who is critically ill.

Much of the Conservative hostility to a guillotine is directed at Mr Foot. As Mr Taylor, spokesman on Scotland, commented last night: "It seems outrageous for Michael Foot of all people to force a guillotine on a constitutional Bill when he went into a near frenzy when a guillotine was moved on the Common Market."

A group of English Conservative backbenchers are concerning a campaign at the weekend, in which they will argue that it is

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Two Seveso babies 'deformed'

From Patricia Clough Rome, Feb 17

A doctor working in Seveso, near Milan, said today that two women exposed to the poison dioxin during pregnancy had given birth to deformed babies. The dioxin escaped from a chemical plant on July 10 last year.

The Lombardy regional government, which is keeping watch on the health of inhabitants of the contaminated area, says it knows nothing of the two cases and is checking the claim.

Dr Dario Medico said one child was born a month ago to a woman in Pavla who had visited her sister-in-law at Seveso regularly during the first weeks after the escape of dioxin from the Icnest plant, when the full extent of the danger was not known.

She had eaten contaminated produce grown in the garden and had been included by the medical authorities in the high risk group of expectant mothers.

The baby was born with its intestines blocked in three places, he said. It had been operated on and was still in an incubator. The second baby was born to a woman in Cesano Maderno, a community near Seveso. It has a similar deformation of the intestines.

Dr Medico refused to identify the children, saying that the families wanted it kept quiet. A man is reported to have declared at a recent Milan University debate that his wife, who teaches near Seveso, gave birth on January 18 to a child with a malformation of the palate.

The case was confirmed at the Milan hospital where the baby was born, but the head of the gynaecological department said the woman worked outside the contaminated area and "we do not think that there is any connexion with the dioxin".

Hybrid ruling blow to nationalization plans

By Martin Huckerby and David Leigh

A severe blow to crucial sections of government plans to nationalize the aircraft and shipbuilding industries was dealt by the Examiners of Private Bills in the House of Lords yesterday when they declared the nationalization measure hybrid.

The Government has had to invoke the provisions of the Parliament Act to get the Aircraft and Shipbuilding Industries Bill this far in its entirety. The Lords threw out the ship-repairing section last session and only when the Commons demanded its inclusion did the peers turn again to the tactic of hybridity.

Despite the delay caused by the hybridity finding, the Bill must eventually become law this session. The Government does not have to make any changes, although it is a prisoner of the Lords hybridity procedure. The difficulty is one of further delay.

Assuming ministers do not find an escape hatch in the small print of the hybridity finding, the Government to speed matters, has one option—an offer to drop the contentious ship-repairing clauses.

That would enable the rest of the Bill to pass in a few weeks. The Prime Minister came under further pressure yesterday from the shipbuilding union to minimize delay because the industry is in severe trouble.

But if backbench opinion finds such a retreat intolerable, the Bill still becomes law by autumn.

The Bill was declared hybrid (differing in its effects on similar categories of persons or

bodies) because it omitted the Westminster Dredging Company and because a condition about the turnover of companies to be nationalized was not germane to the subject matter.

The size of a company's turnover was one condition for nationalization, but the examiners pointed out that at least one company, the Humber Graving Dock and Engineering Company, about two fifths of the turnover required by the Bill did not relate to ship-repairing business.

Unless the Government backs down the Lords' standing orders commanding that it decide what happens to the Bill. The committee, which is expected to meet next week, possibly on Tuesday, will probably decide to refer the Bill to a select committee, which would hear petitions from people who might be affected.

Mr Christopher Bailey, chairman of Bristol Channel Ship Repairs, who has been fighting the Bill, said that if the select committee was established he would petition for his company to be dropped from the nationalization Bill.

Because many people might take advantage of the procedure to raise a variety of issues, the select-committee procedure might prove even more protracted than the hearings before the examiners.

After 26 days of hearings the examiners delivered a 15-page judgment to an audience, including MPs and peers, crowding the Moses Room in the House of Lords. Mr T. G. Talbot, QC, counsel to the chairman of committees in the House of Commons, said that if the Bill was declared hybrid (differing in its effects on similar categories of persons or

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Call for licences to print newspapers

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Clearing banks cut base rates to 11½%

The major clearing banks cut their base rates by one point to 11½ per cent, which means that industry will now be borrowing at 12½ per cent against the crisis level of 15 per cent in the autumn. This cut does not necessarily mean that mortgages will be cheaper. Meanwhile Bank of England figures show that the Government is now comfortably inside its target for monetary expansion.

Coal price warning

Coal prices are to rise by 15 per cent from April 1 and the National Coal Board gave a warning that there might have to be more increases in the autumn to cover the cost of early retirement for miners. The board hopes this can be met by improved productivity.

£132,970 damages

A university graduate, aged 28, confined to a wheelchair after a car crash, was awarded £132,970 damages by a High Court judge in London. The previous highest award in England was £130,110 to a Bristol executive for brain damage.

Solar energy plan

The Government is to spend about £6m during the next four years in an accelerated programme of research and development on the use of solar energy, mainly for domestic water and space heating.

Rome students clash

Holiday fund levy may be reduced

Discussions which could result in cheaper package holidays are about to take place between the Government's Air Travel Reserve Fund Agency and the Civil Aviation Authority. At present all holiday-makers taking air inclusive holidays pay a levy of 2 per cent to the fund but this may be reduced because of the growth of the fund.

Fee-paying places

Almost half the education authorities in England and Wales are still taking places at independent schools, a survey published today by The Times Educational Supplement shows. Councils paid £23m for 40,000 places in 1976-77.

Anglo-Irish strain

Observers think Anglo-Irish relations are nearing their lowest ebb since the British Embassy in Dublin was razed five years ago. Litigation over Irish allegations of British torture in Ulster and the coming trial of British soldiers in Dublin are primary causes.

Deportation appeals: Mr Philip Agee is petitioning the Edinburgh Court of Sessions to prevent his deportation. Mr Mark Hosenball is seeking to appeal against a similar order.

Legal fusion opposed: High Court judges have opposed fusion of the two branches of the legal profession on the ground of cost and ethics.

Council chairman jailed: George Newman, chairman of Staffordshire County Council, has been jailed for corruption and banned from serving in public life for five years 4 months.

Bread strike call

The Bakers' Union instructed its members to take industrial action from Sunday week in an equal-pay dispute. Severe disruption of supplies is inevitable if the action goes ahead, but some bread will be produced at smaller bakeries.

Leader page, 13

Letters: On the power of civil servants, from Mr Adrian Bannister; P. G. Brazil, on higher fees for overseas students, from Mr Charles Clarke, and others.

Deportation
Scots court

Tax building
will cost
£12m more

st and rec

3p off^{*} the price of gold.



47p.^{*}

^{*}3p off recommended price. Stocks are, or shortly will be, available in all areas.

SF64

MIDDLE TAR As defined by H.M. Government
EVERY PACKET CARRIES A GOVERNMENT HEALTH WARNING

ARTISER'S ANNOUNCEMENT

e'll take
ore care
you

19

British airways ANNOUNCE

Friday, February 18, 1977



clusive trips to Japan, USA and other top markets

PACKAGE DEALS FOR BUSINESSMEN

NESSMEN who hit the export trail to new orders can land their first great even before they take off — thanks to h Airways.

airline is now arranging inclusive trips to mportant cities — in Japan, the United and other leading world markets. Packages from the U.K. include return flights iled services and hotel accommodation at a ver than companies would pay if they booked its and accommodation separately. urse, total flexi- be achieved only g normal fares. tours, however, he cost considera- ose who have the forward planning. savings must help s get even more out of their travel for instance, is a

Announce Reporter

flight to Chicago and ten nights at the Conrad Hilton Hotel costs from £405. There are also packages to Detroit and New York. Others are available to Hong Kong, Bangkok, Tel Aviv, Malta and cities all over Europe.

Missions

Apart from sales expedi- tions, the packages are also ideal for people who wish to attend trade fairs or conferences abroad.

The booklet, "British Airways and the Business Traveller", contains other invaluable travel information for businessmen and their companies.

This includes advice on arranging conferences around the world.

It also gives details of "Thinkaway" packages for executives who want to examine complex company problems without disturbance, and Study Tours for fact-finding missions overseas.

Reward

British Airways "Skyhigh Awards" incentive scheme which can be used to encourage sales and profits and to reward outstanding achievements.

"British Airways and the Business Traveller" can be obtained from British Airways shops, travel agents or by writing to British Airways Business Travel (Ref. C), 18, Crimscoot Street, London, SE1 5TS. For businessmen who already have a copy, a supplement of prices from April will be available soon.



where more British e vital, and the Airways business s to Tokyo are he cheapest availa-

deals to the United where experts predict may is about to take also excellent value. of the packages and are given in a book- ish Airways and the Traveller", which in every executive's . For the period May er, these include: it: Return flight and ghts at Tokyo's New el costs from £480. ID STATES: Return

ing to Georgia

IA on your mind? Then the latest British Airways Transatlantic is the answer. Atlanta, Georgia, can now be daily from London Heathrow. Link-Up provides a smooth fly British Airways flight to Boston where a Delta Airlines King to take you on to Atlanta. Other US cities covered by Link-Up arrangements are Houston, Tampa, New Dallas and San Francisco.



British audio equipment on show in Tokyo

Picture by courtesy of B.O.T.B.

Massive cuts in fares to Europe

Back to Beirut

BEIRUT is back on the British Airways destination board. A weekly non-stop VC10 flight to the Lebanese capital has been reintroduced from London Heathrow.

The Tuesday flight departs Heathrow at 0900 arriving in Beirut at 1530 local time. The return, which is also non-stop, leaves Tuesday at 1645 arriving at Heathrow at 1940.

FLY THE FLAG on a Poundstretcher to Europe at well under half the normal fare — that's British Airways new bonus for travellers. From April 1, fares to Italy, Greece, Turkey, Yugoslavia and Cyprus have been slashed.

Travellers qualify for the new cheap fares as long as they book and pay for their flight at least a month in advance for a minimum stay of two weeks — one week only in Greece — and a maximum of three months. It has all been made possible by new APEX — Advance Purchase Excursion — fares introduced by British Airways who pioneered this type of fare to the Caribbean in the early 1960s.

The new low fares on scheduled British Airways flights give a tremendous cash saving to the holidaymaker who wants to go it alone. These are just a few examples of the new cheaper fares which will be applicable from April, with the normal scheduled fares in brackets, all fares from London. Rome £77.50 (£211) a saving of 63 per cent; Venice £72.50 (£181) 60%; Belgrade £103.50 (£218) 53%; Athens £85 (£292) 71%; Corfu £83 (£262) 69%; Istanbul £86 (£296) 71%; and Cyprus £132.50 (£304) 66%.

APEX fares are still available to Malta from £69 and to Gibraltar for £77 off-peak and £88 in July, August and September. In Gibraltar, travellers must stay between six days and one month.

The fares quoted to Malta, Gibraltar, Cyprus and Yugoslavia are still subject to Government approval.

Fares on scheduled flights to Spain and Portugal have also been cut. To qualify passengers have to travel in groups of at least three, which can include a child, and stay for any number of whole weeks between one and seven.

The fares to Palma start at £50.50, and the other destinations are Oporto, Lisbon, Faro, and Alicante, Valencia and Malaga. Instant Purchase fares are still available to Paris, Brussels and Amsterdam at substantial savings.

They can be bought on the same day as travel or the day before — for Paris after 1400, for Brussels after 1900 and for Amsterdam after 2100.

There are also other Poundstretcher fares offering savings to most points in Europe for stays between six days and one month.

Concorde heads for Texas

A PLAN has been proposed which would allow Concorde to fly across America between Washington and Dallas/Fort Worth.

The agreement between British Airways and Braniff Airlines — which is subject to U.S. Government approval — will mean that Concorde would operate direct between London and Texas.

After flying supersonically to Washington, it would be leased by Braniff for a return flight below the speed of sound to Texas.

Cartoon by Ross



This is your airline speaking

TUNE IN to Flight Watch, a British Airways and London Broadcasting production aimed at giving travellers up-to-the-minute flight news.

Every morning from 6.30 to 8.45 Flight Watch gives LBC

listeners half-hourly information on that day's British Airways flights. Broadcasting from the British Airways studio at West London Terminal, the bulletins go out on 261 metres Medium Wave and 97.3 VHF.

Give your family a flying visit

VAST NUMBERS of Britons have relatives and friends in Australia, New Zealand, Canada, the United States and South Africa... and the best way to visit them is to fly the flag with the reassuring "home from home" service of British Airways.

Flying to those countries is frequently cheaper than most people think.

For example, while everything else seems to be rising in price, British Airways now offers cheaper than ever scheduled fares to Australia. Up to £79.50 has been cut off current fares and a return flight to Perth, for example, is available for as little as £425.

So it's a good time to start planning that long promised reunion with friends and relatives living Down under. British Airways is the only airline flying from London to all four major Australian centres — Sydney, Melbourne, Brisbane and Perth — every flight by a 747.

Details of the fares available are in the story below.

Fares to New Zealand start at £530.50 return for a stay of between three weeks and six months. There is no advance booking requirement.

North America

If your destination is the USA or Canada then British Airways will get you there at the right price.

Overseas Air Travel (ATOL No. 038AC), flies Advance Booking Charters from Heathrow, Manchester and Glasgow.

London to New York from £122 return. Other flights go to Los Angeles, Chicago, Toronto and Vancouver.

The price is fixed from the day the full amount is paid, and from then on there will be no surcharges.

Flights have to be booked 50 days in advance and OAT offer an easy payment instalment plan plus in-flight complimentary bar facilities.

South Africa

For those planning to go to South Africa APEX comes to the financial rescue offering a £219.50 return flight.

There are daily British Airways flights to South Africa with evening departures making it easier to reach London from the regions.

Poundstretchers are best way to Australia

These are the Poundstretcher fares available to Australia:

APEX (Advance Purchase Excursion). This offers scheduled flights up to £79.50 cheaper than the present cheapest fare. Prices range from £425 return to Perth, £444 to Brisbane, and £450 to Sydney and Melbourne. They allow a maximum stay of nine months and a minimum stay of 21 days.

Available from April 1, bookings must be made 90 days in advance, but a special dispensation has been allowed for passengers booking in February to

Clubs smooth the way

THE reunion clubs formed by British Airways to take the fuss and worry out of flying to Australia, Canada and the USA are an outstanding success.

More than 40,000 people planning to visit friends and relatives overseas have joined. The founder membership fee of £1 will end on April 1, and the fee will then be £2.

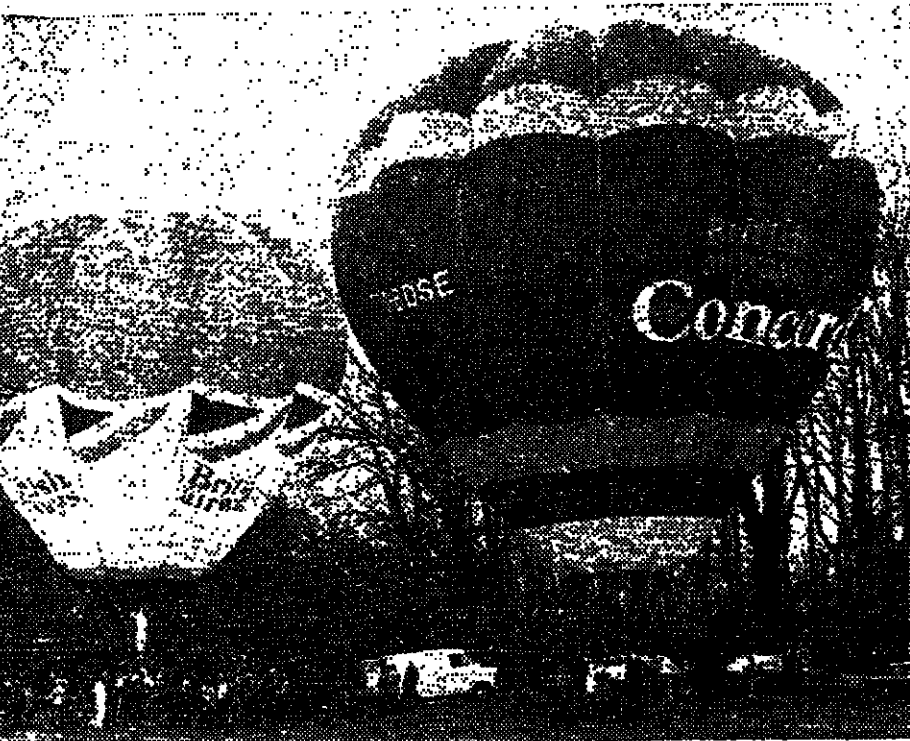
The Australian, Canadian and American Reunion Clubs are open to all UK residents with friends or relatives living in those three countries.

Benefits

They offer tremendous benefits:

- Up to date information on the cheapest approved fares.
- A special savings plan designed to help old and young — You can even fly now and pay later.
- Quarterly club magazine.
- Emergency travel insurance.
- Special rates for Godfrey Davis car hire to Heathrow.

Further details can be obtained from British Airways Travel shops or leading travel agents.



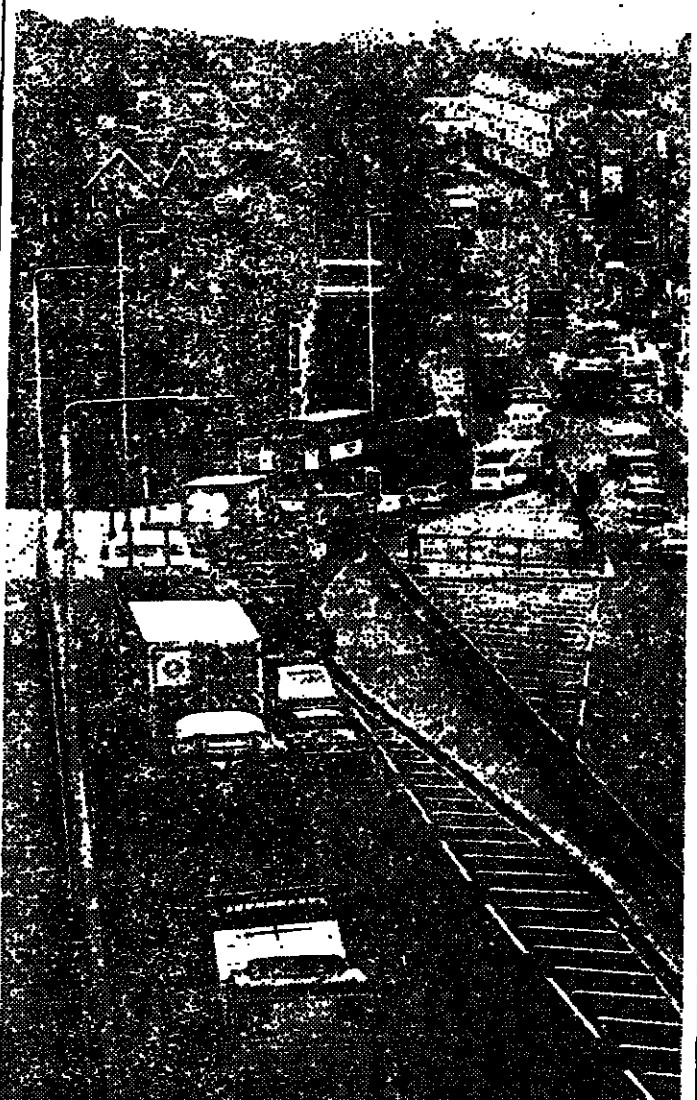
DESN'T look like Concorde. It doesn't fly as fast as Concorde. But it is called Concorde. This balloon, a descendant of the earliest attempts at manned flight, is ad by several British Airways pilots — who fly it for fun as a break from flying e of the world's latest aircraft.

For reservations or further details, see your travel agent or British Airways shop

THE NEWS

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Road inquiry announced: Traffic in Archway Road, north London, yesterday, the proposed widening of which is to be the subject of a new inquiry, starting on April 19 (our Planning Reporter writes).

After an announcement by the departments of the environment and transport yesterday, the proposed widening of Archway Road, north London, was announced. The widening, which would increase the width of the road from 40ft to 60ft, is part of a larger scheme to improve traffic flow in the area. The scheme also includes the construction of a new roundabout and the widening of other roads in the vicinity. The project is expected to cost £10 million and will be completed by 1985. The widening of the road is necessary to accommodate the increasing volume of traffic in the area, which has grown significantly in recent years. The new roundabout will also help to reduce the number of accidents that occur at the junction. The project is a priority for the local authorities, who want to improve the safety and efficiency of the road network in north London.

In brief

IRA prisoner is attacked

Martin O'Connell, one of the four IRA men sentenced to life imprisonment last week for his part in the six-year-old other offences, was attacked by another prisoner in Walton Prison, Liverpool, on Saturday. The Home Office, which did not name Martin O'Connell, said: "When the prisoner was coming in after exercise a prisoner hit another prisoner in the face once. The prisoner who was assaulted said the prison officers were unable to identify the attacker."

Immigration rose by 6pc

An increase of just over 6 per cent in the number of immigrants to Britain in the third quarter of last year, compared with the similar period of 1975, was reported by the Home Office yesterday. The sharpest increase, of more than a fifth, was in the number of foreign non-EEC nationals. Today, only and September, 3,581 (2,750 in 1975) were allowed to settle on arrival. The number of United Kingdom passport holders admitted was 2,969 (3,396) and 5,963 (5,409) other Commonwealth citizens were allowed entry.

Gliding mishaps 'carelessness'

Injuries and deaths in the sport of hang-gliding are generally the result of carelessness, Mr Martin Hunt, chairman of the British Hang Gliding Association, said yesterday. He told a symposium on the sport at the Royal Aeronautical Club, London: "It is a sport loaded with potential hazards, very few of which are likely to cause serious harm, provided they are approached sensibly and handled carefully."

Anemometer to control by-pass

An anemometer, which measures the force of wind, will command the use of an £8.4m by-pass to be opened at Dover today. A section of the sea-mile by-pass, is on a viaduct that climbs from sea level to the top of the cliffs. When the wind gets too strong the anemometer will set off an alarm and that section will be closed to all traffic.

Sisters found gassed

Two elderly sisters, Rosanne and Agnes Boyd, were found gassed in their council house in Hovgate Road, Hamilton, Strathclyde, yesterday. Police said that there were suspicious circumstances. Gas board officials are investigating.

WEST EUROPE

Rome's leftist students shout down Communist trade union leader

From Peter Nichols
Rome, Feb 17

The Communists' attempt to reimpose order in the chaotic university life in Rome took a violent setback today when students of the extreme left refused to give a hearing to Signor Luciano Lama, leading Communist trade unionist. He was already hanging in effigy by the neck by the time he arrived at the university gates.

By midday some 50 young people had been hurt in fighting between Communists and members of the various extreme left-wing groups occupying the university. Insults were exchanged. The Communists shouted: "Assassins" and "Fascists" at the extreme left, who replied, shouting: "Servants" and "Fools" and making ironic gestures referring to the fact that the official communists were demonstrating with protective ranks of riot police in full equipment behind them.

One commented: "They are using the methods of Prague—provocation and then intervention by the armed forces." The extreme left believes that the Communists have betrayed the cause by becoming a party of government. Some of these groups refuse to accept parties at all and feel most passionately against a Communist Party sharing power with the governing Christian Democrats through supporting them in Parliament. If the Communists are not officially members of the Government. The Communists, for their part, have regarded themselves as supporters of discipline and order ever since the great student riots of 1968 caught them



Signor Lama tries to make himself heard

unprepared. No one talks with greater insistence than Signor Berlinguer, the Communist leader, of the need to study seriously, to accept sacrifices in order to gain an education, to maintain a disciplined student life, and to be morally worthy. Nothing could be further from the moralism of the Communists than events in a number of universities including Rome in the past few days. Yesterday there were demonstrations against proposed governmental reforms. To this many of the left-wing students (on this at least the whole left is agreed) added another protest against the presence of young fascists in the universities. Studies had come to a halt. The universities of Palermo, Rome, Naples, Milan, Padua, Turin and Cagliari were occupied by the students. They were joined by many pupils of secondary schools.

Fast wives rule over Rhineland carnival

From Dan van der Var
Bonn, Feb 17

Any man reckless enough to wear a tie in the Rhineland today runs the risk of having it cut off below the knot by a tipsy virago armed with scissors. This curious custom is just one of the many strange manifestations of the German carnival tradition.

The five-day celebration until Strove Tuesday marks the risk of the carnival season, which officially began at 11.11 am on November 11. It is the biggest party of the year in the Rhineland, Catholic half of West Germany. Today is Weiberstreichtag—wives' fasting eve, or, inaccurately translated but accurately spirit, fast wives' night. It is the day on which the women dominate the festivities.

This festival was invented by the washerwomen of Beuel on the Rhine opposite Bonn more than a century ago. These washerwomen objected to the fact that the men used to have most of the fun at carnival time and decided to have an annual fling of their own. The tradition has become widespread. The tie-cutting custom is taken seriously. Girl pupils chop the ties of their schoolmasters, secretaries those of their bosses and any man wearing a tie on the street is fair game. A kiss may also be demanded from the victims, who tend to complain that the enthusiasm of the perpetrators varies in inverse proportion to their beauty. Another of today's customs brings local government to a halt. At 11.11 am crowds of women "storm" the town hall, overwhelming the token resistance of the major, and cutting off his tie.

Paralysis also struck the Federal Government in Bonn. There was dancing in the Chancellery and it was impossible to get any sense out of ministry switchboards. The man owning the bookshop near the Federal Parliament turned up dressed as a washerwoman, with heavy make-up and an impossibly exaggerated bosom. Transvestism is a strong element of the carnival tradition. Among the crowds there are respectable fathers of families who have raided their wives' wardrobes. Some women return the compliment by turning out in male attire. In the evening there are fancy-dress dances at which the women have the exclusive right to issue invitations to the dance floor. The carnival tradition here goes back to the Middle Ages and probably beyond.

Community plan for customs union with Malta

From Our Own Correspondent
Brussels, Feb 17

The European Commission has approved a proposal to open negotiations with the Maltese Government, aimed at eliminating remaining trade barriers and establishing a full customs union between Malta and the Community. The proposal will now be put before the Council of Ministers. The negotiations would be conducted under the terms of the association agreement which Malta signed with the EEC in April. With the exception of refined petroleum products, all Maltese industrial goods now enter the Community duty-free, though four sensitive categories of textiles remain subject to quotas.

EEC move to ensure its supplies of uranium

From David Cross
Brussels, Feb 17

The European Community today took a significant step towards ensuring unimpeded and steady supplies of uranium for its power stations. These have been threatened by the growing clamour, particularly in North America, for tighter safeguards on overseas sales of nuclear materials.

After nearly two years of tortuous negotiations with EEC member states, the European Commission has notified the International Atomic Energy Agency (IAEA) in Vienna that all the safeguards and verification procedures required under the 1970 non-proliferation treaty have now been implemented by the Community. This means in effect that eight of the Community's nine member states are now applying IAEA safeguards and allowing inspectors from Vienna on to their territories to carry out verification procedures. France, which has refused on-the-spot checks, remains the odd man out.

Nevertheless, there is considerable optimism in Brussels that France will shortly change its mind and enter into a trilateral agreement with the IAEA and Euratom, the Community's nuclear wing, similar to the one concluded by Britain last September. The voluntary agreement signed with Britain which, like France, is a military nuclear power, allows the IAEA to inspect non-military nuclear installations.

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members of the Police Superintendents' Association were meeting officials at the Home Office. The association said later: "We have told the Home Office that we wish this dispute with the federation to be settled as quickly as possible. We also want to put in a pay claim, but until the men on the beat have resolved their problems we cannot ask for more money."

New car from Aston Martin

A new sports car with exceptionally fast acceleration is announced today by Aston Martin. It is called the Vantage, and is a development of the company's two-door V8 model, which remains in production (our Motoring Correspondent writes). Modifications to the 5.4 litre alloy engine have produced a claimed top speed of 170 mph and acceleration from rest to 60 mph in 5.3 seconds.

call for standing commission to supervise the media

ing is the text of a Mr. Moss Evans, organizer of the Trans-General Workers' yesterday at a conference of the TUC. He said that the media had a duty to the public, but that it was not always fulfilling this duty. He called for a standing commission to supervise the media, to ensure that it was acting in the public interest. The commission would be responsible for monitoring the output of the media, to ensure that it was balanced, fair, and accurate. It would also be responsible for ensuring that the media was not being used to spread propaganda or to manipulate public opinion. The commission would be made up of representatives from the media, the public, and the government. It would have the power to issue warnings, to demand corrections, and to take legal action if necessary. Mr. Evans said that the media was a powerful force in society, and that it was essential that it was kept in check. He said that the public had a right to know the truth, and that the media had a duty to provide this. He said that the commission would be a necessary part of a democratic society.



Mr Evans: "Fight for a free press"

trade union movement, the positive opportunity to enter the national newspaper publishing field, through a National Press Union of the media, and would receive all advertising revenues, and deduct a levy before passing such revenues on to recipients. Such a system would minimize the opportunity for large advertisers to dictate editorial policy in any section of the media, and would provide the means for the NPPC to buy printing plant, which could be leased to representative interest groups with the capacity to sustain a major publishing venture. This corporation would be empowered to control the proportion of advertising to editorial material in all sections of the media. c) To maintain a continuous monitoring of all material issued through all aspects of the media, in order to have the means to check, disprove, or correct in a detailed fashion, any complaint of lack of balance, distortion, invasion of privacy etc. d) A capacity to ensure the full

immediate and public investigation of all such complaints, and the full, immediate action necessary to correct any misleading information or to redress any lack of balance. e) A responsible service through a committee of employers and trade union representatives from within the industry, to pursue good industrial relations in the industry, through full recognition of trade union rights at all levels, and the active encouragement of industrial democracy in the industry. The commission envisaged would be thoroughly representative of all sections in the community, through public appointment following consultation with unions and employers in the industry, and would, of course, be responsible to the appropriate minister. Panels of advisers from the appropriate unions and employers' bodies should work with the commission. I believe, that to protect our essential interests, the trade union movement requires its own continuous monitoring service covering all the media to keep under scrutiny, treatment of all our activities, and those aspects of our industry, which are of interest to our activities. We must fight for a free press in this country, and the right for all views and opinions to be expressed. But a freedom limited to a very small and powerful section of the community is no freedom, it is privilege and patronage. And we must insist upon real public control of television and radio in order to give the public freedom of expression. We must never forget that for years the blame for all the country's economic problems has been laid at our door. All this nonsense about high wages and irresponsible workers has gone virtually unchallenged. Don't forget that the power that persuades people that trade unions wield irresponsible power over the country, that would subvert the real power of our movement, which rests in the unity of purpose of our members.

Landlords urged to make stand against officials

Private landlords in Nottingham have been told by their solicitors to use force if necessary to get rid of council officials found on their property without permission or without a court order. A statement from the solicitors, issued yesterday, said legal action would be taken in the civil courts against individual officials of Nottingham City Council who entered buildings without authority. It added: "Entry has been obtained without any form of permission from the owner or occupier simply by opening an outer door and walking in, or

by adopting an officious or even intimidating attitude. "Someone must make a stand against these intrusions into the privacy of our homes. Accordingly, members of the Private Landlords' Association are forthwith instructed to deny access at all times to employees from the Nottingham department of environmental health without court orders and to escort them by force, if necessary, from the property. Mr Royce Young, chief environmental health officer, denied the allegations as vicious and said they were totally denied.

Larry Adler decree

Mrs Sally Adler, aged 38, the wife of Larry Adler, aged 63, the harmonica player, was granted a decree nisi in London yesterday based on two years' separation by consent.

Literacy drive success

Nearly 110,000 adults have come forward for help with reading and writing since the Adult Literacy Campaign was started in 1975, the BBC said yesterday.

Williams & Glyn's knows that a bank that needs chasing needs changing

Paying a bank for its services is an expensive luxury if you have to keep checking to see that instructions have been followed.

But one bank you'll rarely hear accused of such inattention to detail is Williams & Glyn's. We're more vigilant than most because our branches tend to be smaller and more management time can be allotted to the supervision of individual accounts.

You'll find Williams & Glyn's a refreshing change in other ways too. If you need a decision, you could expect to get it more quickly because there is no elaborate hierarchy within the bank to delay it.

Wouldn't you prefer to save your energies for your business instead of wasting them on chasing your bank? Call in at your local Williams & Glyn's branch. Or write to:- Marketing Development Office, Williams & Glyn's Bank Ltd., New London Bridge House, 25 London Bridge Street, London SE1 9SX.

Five ways to more profitable business

- 1 Quick Decisions**
The shorter chain of command at Williams & Glyn's ensures you of a quick response.
- 2 Documentary Credits**
Where appropriate, arrangements can be made for importers and exporters to guarantee payments to suppliers.
- 3 Corporate Trustees**
Through its Trust Company, Williams & Glyn's will act as Trustees for individuals or business customers.
- 4 Development Capital**
Through an Associate Company, Williams & Glyn's can provide finance for expanding private and public companies.
- 5 Certificates of Deposit**
Quotations are obtainable from any branch based on the latest London market rates.

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urday. And a 707 every Tuesday. All leaving at 13.15.

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WORLD'S FASTEST GROWING AIRLINE.

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WEST EUROPE

25 Danish papers stopped by strikes

From Our Correspondent Copenhagen, Feb 17

Strikes by technical staff stopped the publication today of 25 Danish newspapers representing well over half the total press circulation.

Members of printing unions were protesting against a labour court ruling yesterday which ordered the technical staff of the Berlingske publishing house to return to work immediately.

The Berlingske employees have ignored the order. They will hold a meeting on Monday to decide whether to resume work.

Union officials attack the labour court as an extension of the powers of employers, and want to eliminate it as the final authority in labour disputes.

Printing unions are fighting as well to preserve some concessions gained in the past which have been dropped by Berlingske because the company faces a serious loss this year. Berlingske also intends to introduce new technology and work schedules to simplify production and reduce printing staff by about 300 of the present 1,000.

The conflict at Berlingske has hindered publication of its two main newspapers, *Berlingske Tidende* and *B.T.* since January 30. The national newspapers, *Politiken* and the mass circulation *Ekstra Bladet*, as well as the leading provincial newspapers, did not appear today.

The labour court is a rudiment from the past, an instrument of ruling class oppression of those without possessions", Mr. Louis Andersen, the leader of the Copenhagen typographers' union, said on the Berlingske decision.

He asserted that the labour court had accepted the arguments made on behalf of Berlingske on every point and that none of the unions' counter-claims had been supported.

Franco loyalists still unable to accept the new order

Spain's march to democracy has shattered morale of police

From Harry Debellus Madrid, Feb 17

Visitors to senior officers at the central security police headquarters in Madrid's Puerta del Sol see pictures of King Juan Carlos on the walls. But in the basement, where prisoners sleep in small cells on concrete slabs, the photographs of Franco have not been removed.

In a way, that is symbolic of what is happening in the ranks of the powerful security police and the armed forces: those who venerate the authoritarian system and the authoritarian system are going underground.

Not even most Spaniards are aware of the extent to which police morale has been shattered by the march toward democracy, nor of the serious dissent within the armed forces.

While a military uprising seems unlikely, there is strong resistance to the Government's policies, frequently resulting in disobedience and insubordination.

Unless the Government can control the police and soothe the anger of the armed forces, Spain will be threatened with a breakdown of authority and a consequent increase of violence.

Weeding out the many people formed by and still loyal to the old order is a difficult and politically dangerous task, as Señor Suárez, the Prime Minister, first found when he and the King tried to put Lieutenant-General Santiago Díaz de Mendiola, the

former Deputy Prime Minister, and another conservative officer on the inactive reserve list.

The generals balked at the royal decree, and an embarrased Government and monarch, discovering that the two generals had much support among the armed forces leaders, backed down.

On other occasions, the Suárez Government has been more successful in neutralising recalcitrant officers, but it has earned the Government, and particularly Lieutenant-General Manuel Gutiérrez Mellado, the present Deputy Prime Minister, the anger of officers who justifiably fear that his planned reforms of the military establishment will unseat them from command posts or comfortable jobs.

When political policemen staged an illegal anti-government demonstration in Madrid late last year, the Suárez government reacted with characteristic speed and firmness.

Nearly 300 policemen, including members of the security police and the paramilitary Guardia Civil, were arrested and the three senior police generals were immediately transferred to distant assignments. Many of the police, after two months in prison, were suspended or dismissed, and 14 were held for court martial.

Temper of some naval officers are seething too over the recent arrest of Captain Camilo Menéndez Vives, executive officer of the Navy War College, and the transfer of his

commander after Captain Menéndez Vives insulted General Gutiérrez at the funeral of three policemen shot by terrorists.

There is more still to keep the fires of resentment smouldering among military leaders. Under Franco, the political and military authority was closely linked, to the extent that military men on active duty were encouraged to take posts such as directors of private companies or government enterprises. The Dictator was generous in finding jobs for his generals and admirals.

If Spain is to have a new political system, therefore, it must have an entirely professional, full-time military establishment, and that is what General Gutiérrez is trying to create. Thus many officers are suddenly faced with having to give up their outside jobs or risk losing their military status and retirement pay.

Francists in the barracks are already forming secret cells. A new royal decree penalises the public espousal of any particular political philosophy by members of the armed forces.

To help smooth the ruffled feathers of Spain's police and armed forces, the Government is giving them as much new equipment as possible, at the same time emphasising professionalism.

But in an Army where the Fascist salute is still the accepted form of greeting for at least one commander, will that be enough of a substitute for political influence and power?

Russia seeks licences for 40 boats

From Michael Hornsby Brussels, Feb 17

The Russians today gave the EEC the names of about 40 fishing vessels which they want to license for fishing within the Community's 200-mile zone, according to informed sources.

The Soviet application came in belated response to a request first submitted by the EEC on January 28. The Russians were then told that they had 10 days in which to apply for licences for 27 boats, of which no more than 17 would be allowed to fish at any one time.

This deadline passed without any response from Moscow, and several more reminders were sent. Whether or not the EEC will be prepared to give the Russians more than 27 licences will depend on the tonnage of the boats listed.

Yesterday, the Community and the Soviet Union opened negotiations on a long-term fishing agreement.

La Pasionaria asks for passport home

Moscow, Feb 17.—Señora Dolores Ibarruri, "La Pasionaria" of the Spanish civil war, has applied for permission to return to Spain immediately from her Moscow exile, reliable sources said today.

They said a representative of Señora Ibarruri, president of the illegal Spanish Communist Party, called at the Spanish Embassy in Moscow last night to make the application. Her secretary, Irene Falcon, is also seeking to return.

Señora Ibarruri, now aged 81, came to Moscow in 1939 at the end of the civil war in which the Republican Government was overthrown by Franco's Falangist forces.

Last week Spain and the Soviet Union established formal diplomatic relations, upgrading the trade missions which had existed in the two

Menten plea for release

From Our Correspondent The Hague, Feb 17

Mr. Pieter Menten, aged 77, the tax collector, was extradited to the Netherlands by Switzerland in December to face war crimes charges, including the execution of more than 100 Polish Jews, is demanding his release because, he claims, he is not Dutch but stateless.

Mr. Menten, who lived before the war in part of Poland which is now Soviet territory, claims that he and his deceased first wife, were granted Polish nationality in 1937. They obtained new Dutch passports in 1937 from the Dutch Consul in Lemberg (now Lvov). These passports, he said, were bought for a bribe.

If Mr. Menten can prove that he is not a Dutch citizen, the Dutch cannot prosecute him.

M Barre says American ban on Concorde would be blow to fair competition

From Charles Hargrove Paris, Feb 17

M. Raymond Barre, the Prime Minister, said today that any decision taken against Concorde by the United States would be regarded in Britain and France as a blow to fair competition.

Addressing a luncheon meeting of the Anglo-French Aerospace Association, he said public opinion could never understand that a world power standing for free enterprise should adopt an attitude which appeared to be designed to preserve the United States from competition in aircraft technology and development.

President Carter informed Mr. Callaghan and President Giscard d'Estaing yesterday that while he would not interfere with the 16-month trial period allowed Concorde by the

Ford Administration, this would not prejudice his final decision on whether the airliner would be given permanent landing rights.

M. Barre said today that it was necessary to look at a second statement issued from the White House three hours later which had corrected the earlier Anglo-French interpretation put upon President Carter's message.

The ultimate decision on provisional landing rights for Concorde in New York rests with the New York and New Jersey port authority and, according to French Government sources, the prospects for a positive decision are not unpromising since business circles and the trade unions are favourable to Concorde.

M. Barre was asked about French exports of nuclear

technology, and especially about the controversial delivery of a reprocessing plant to Pakistan.

In his reply he repeated that France would not promote nuclear proliferation but was ready to make a contribution to the use by developing countries of nuclear energy for peaceful purposes. France would not submit to dictation in the matter, and would honour the contract with Pakistan.

As for the export of nuclear power plant to South Africa, the Prime Minister said South Africa had no need of assistance if it wished to produce nuclear weapons. It was quite capable of doing so unaided. There was no reason to refuse to sell power stations designed solely to produce nuclear energy for peaceful ends.

OVERSEAS

Anglican Primate's attack adds to church-state confrontation over South African race policy

From Ray Kennedy Johannesburg, Feb 17

The increasing confrontation in South Africa between the multi-racial churches and the Government took on further significance today with a statement by the Anglican Archbishop of Cape Town.

So far, the renewed outbreak of church-state hostilities has centred on the Roman Catholic Church. Last week the Roman Catholic bishops issued a declaration of commitment which, among other things, identified their full support for the individual's right to refuse to wear military uniform in a campaign which might be racially unjust and defended the Catholic Church's decision to open its private schools to children of all races.

Today the Anglican (Church of the Province), Archbishop of Cape Town, the Most Rev. Bill Burnett, added his influential voice to the growing chorus of clerical opinion that South Africa is on the wrong track.

The Archbishop spoke after the death of an African security detainee, Matthew Mabeane, aged 22, who fell 10 floors to his death on Tuesday from a window at police headquarters in Johannesburg where he was being interrogated by security police.

He said: "Imprisoning and interrogating people until they die, banning people and what they say, cannot produce a society which is worth living in."

"Many white South Africans find it increasingly intolerable that so high a price should be paid in this and other ways by black people for the political and economic advantages that we enjoy."

"If prisoners die as a result

of injuries received during interrogation that is, at best, manslaughter. If they commit suicide, there must be reasons for their ending their lives in so desperate a fashion. This, also, is wholly unacceptable."

It was reported here today that an investigation by senior police officers has been ordered into the safety of detainees at interrogation centres. A total of 19 people, most of them security suspects, have died in detention during the past year.

A white Anglican priest in the Cape Town black township of Nyanga was sentenced today to three months' jail for refusing to disclose the names of eyewitnesses to alleged police action during the township unrest.

The Rev David Russell told the Cape Town magistrates' court he had undertaken not to disclose the names.

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Lieutenant-Colonel Erenayo Wilson Oryema: the other Kampala victim.

American UN envoy urges nationalists not to use violence in southern Africa

From Peter Stratford New York, Feb 17

Mr. Andrew Young, the new American representative at the United Nations, today set out to argue the case against the use of violence in southern Africa. Too much destruction would be done, he said, because the less that was destroyed, the better off they would be when they had majority rule.

Mr. Young was commenting at a press conference in New York on his recent visit to southern Africa, where he met several of the African leaders.

He said it was difficult for Americans to tell others what to do in pursuit of their freedom, especially since they had been making a call to "burn Salisbury to the ground". He thought that there had been a measure of restraint in the military actions, together with an increase in rhetoric.

Mr. Young added that he was opposed to the "romanticism of violence". He thought that this was largely a feature of people who were not themselves actively involved.

When he was questioned about the prospects of a peaceful solution in the area, Mr. Young commented that "peaceful" was a relative term. When he had met the presidents of the "front-line" states in Tanzania, they had all said that there had to be armed struggle, because nothing else would get Mr. Ian Smith, the Rhodesian Prime Minister, to the negotiating table.

But they also recognized that there had to be diplomatic initiatives as well, and no one was making a call to "burn Salisbury to the ground". He thought that there had been a measure of restraint in the military actions, together with an increase in rhetoric.

Mr. Young added that he was opposed to the "romanticism of violence". He thought that this was largely a feature of people who were not themselves actively involved.

Dismay at Amin plan to visit London

By David Spanier Diplomatic Correspondent

President Amin's announcement that he intended to come to London in June for the Commonwealth Conference and the Queen's Jubilee has dismayed the Foreign Office, particularly in the light of yesterday's tragedy in Uganda.

The Foreign Office has always found it extremely difficult to deal with President Amin, and in breaking off diplomatic relations with Uganda, it decided not to deal with him at all. That seemed the best course, as soon as most of the British people living and working in Uganda had had time to pack up and leave.

Formally, the Government cannot stop the President coming to London. The invitations to the Commonwealth Conference were issued to all heads of state by Sir Harold Wilson, when he was Prime Minister, at the last such meeting in Jamaica. There, Uganda was represented only by a diplomat, which avoided any embarrassment.

It is still not clear exactly what President Amin's intentions are. The present hope in the Foreign Office is that he will just not arrive. The risk of attempting to discourage him now, it is feared, is that it might simply provoke the very event it is designed to forestall.

The real dilemma is the unavoidable involvement of the Queen.

All the heads of government are to attend a banquet and reception at Buckingham Palace on June 8, the opening day of the conference. Similarly, they will attend the thanksgiving service in St Paul's on Jubilee Day, June 7.

Churches' call to end terror

From Alan McGregor Geneva, Feb 17

The World Council of Churches issued a statement on the death of the Anglican Archbishop of Uganda, the Most Rev. Janani Luwum, saying that this was "one more in the series of brutal events which have characterized a six-year reign of terror in which thousands have been summarily killed."

It called on the United Nations Commission on Human Rights to undertake a thorough investigation into the situation in Uganda "and to take immediate steps to prevent the killings of persons who may now be in imminent danger."

"It is clear the situation in Uganda can only be changed by massive international actions in support of the courageous struggle of the churches and others in Uganda to stop what appears to be a new wave of massacres."

The council appealed to African countries in particular.

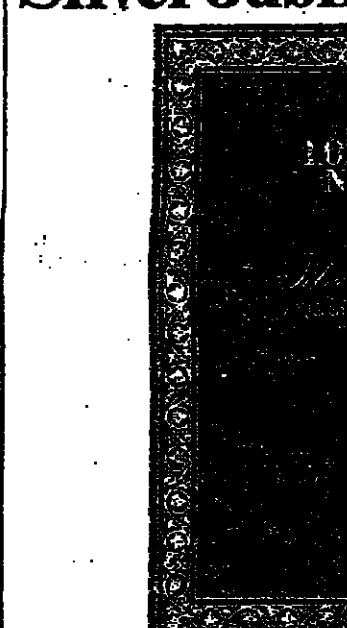
Dr. Philip Potter, the council's general secretary, recalled that this was the year of centennial celebrations of the coming of Christianity to Uganda.

Mr. Niall MacDermot, the secretary-general of the International Commission of Jurists, said: "It is the Christian churches who have been able to offer such little resistance—if that's the word to use—as there is against the terror of the Amin regime and there is reason to feel this may be the beginning of an attempt to clamp down on the press and all activities of this kind by the Christian churches standing up for human rights within the country."

Mr. MacDermot is an observer at the Geneva session of the United Nations Commission on Human Rights.

Mr. Allan Lowenstein, the United States delegate, said that the commission had been reminded of the urgency of appropriate consideration of human rights problems.

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Chrome ban 'will not upset Rhodesia'

From Michael Knipe Salisbury, Feb 17

The Rhodesian Government today said that a recent United States Congress Byrd amendment, which United States import ore from Rhodesia, regretted but would seriously disadvantage Rhodesian mining.

Mr. Michael Cawood, retort for Mines, said that Rhodesia was able to dispose of some chrome ore would reach the United States by more circuitous routes higher prices to after its sponsor, the United States, would have the amendment.

Since the introduction of the amendment, Mr. Cawood said, consignments of chrome ore to the United States, limited and the quantity have been absorbed. Rhodesia sustained of 647 professional year, according to go statistics, including teachers, 100 account auditors, 98 engine nurses and midwives, medical practitioners. There was a gain of 51 miners, quarrymen, related workers.

The total loss of economic white, Asi Coloured (mixed race) women was 2,601 compared with 1975 of 726. A military commander said that in the past government forces had killed 16 African nationalists, five black women in a war zone during the last year. He said that the black women were killed by the Rhodesian soldiers. He added that terrorists derailed six African tr

Yugoslav rights

From Our Correspondent Belgrade, Feb 17

The Yugoslav government today said that it was prepared to accept the terms of a recent United Nations resolution on the rights of minorities in Yugoslavia.

The resolution, which was adopted by a majority of 12 to 4, called for the Yugoslav government to take steps to ensure the rights of minorities in Yugoslavia.

The Yugoslav government said that it was prepared to accept the terms of the resolution, but that it was not prepared to accept the demand for a referendum on the rights of minorities in Yugoslavia.

The Yugoslav government said that it was prepared to accept the terms of the resolution, but that it was not prepared to accept the demand for a referendum on the rights of minorities in Yugoslavia.

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ck adds to
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OVERSEAS

Russian hint that pressure from West over dissidents could check progress made in détente

Robert Evans

Feb 17
Soviet Union is serving that constant public by the West on com- countries over the rights issue could effec- tively moves to revitalise is the interpretation for diplomatic analysts cing on the attitude in Moscow after the ice last weekend of a pt Kremlin document ing the official view on s in communist society Western defenders. ument, in the form signed leading article da, was seen as a to American expres- ceter, which were by President Carter rests of Soviet and vak dissidents. e appearance is seen by diplomats in Moscow using a new, gny note to the Krem- ly a month after Mr nauguration. nterpretation, the believe, is backed by taneous publication of y a leading Soviet commentator develop- theme that mutual an element without ate cannot survive. icle was written by r Bovin, who is o enjoy good relations Leonid Brezhnev, the st Party leader. Its west that trust could ablished if either side he basic interests of

communist system and dictate internal policy to Soviet block countries. The analysts said the vehe- mence of the document's language, clearly approved at the highest level, indicated that Soviet leaders felt their vital interests were being assaulted and had now decided to draw a definite line. Quoting a recent speech by Mr Brezhnev, the document said that the 1975 European security conference agreements on the overall improvement of East-West relations could only be implemented in a good political climate. The analysts also saw in the document a hint that the Soviet Union might be ready to sacrifice the chance of a new strategic arms limitation treaty with the United States unless the Carter Administration took a less strident line on the dissident issue. The document, which de- nounced Soviet dissidents as "traitors" paid by the West who were seeking to bring fascism or at least the evils of capitalism to their country, suggested that the present attacks of the system would continue. Mr Bovin's article, pub- lished in the weekly current affairs journal *New Times*, ex- panded on a definition of détente given by Mr Brezhnev in his recent speech to which Soviet officials have since con- stantly sought to draw Western attention. Mr Brezhnev said détente implied willingness to solve differences at the negotiating table and presupposed "a measure of trust and readiness to take due account of each other's legitimate interests". Mr Bovin, whose article was couched in reasoned and measured tones, said détente

could only exist in an atmos- phere "of mutual concessions and compromises, which strengthen trust and security". Several reasons have been put forward to explain the pressure against political dissidents, three of the most prominent of whom have recently been arrested. One explanation, favoured by the dissidents themselves, is that the authorities want to silence protests over alleged human rights violations before this summer's European security conference in Belgrade. Another suggestion is that Soviet and East European lead- ers are alarmed by the surge of activity by dissidents at a time of economic problems. This latter view, some Western analysts say, would help explain why the Kremlin was ready to put at risk a détente relationship it has championed so vociferously, by taking tough measures against dissidents and implicitly snubbing President Carter on the issue. The analysts point out that in 1968 the Soviet Union invaded Czechoslovakia, although it realized the action would dis- rupt moves towards better East-West relations at that time, because it saw its ideological as well as its physical security endangered. Whether Moscow feels strongly enough to stall the strategic arms limitation negotia- tions, due to resume when Mr Cyrus Vance, the American Secretary of State, comes to Moscow at the end of March, is an open question. But Soviet attitudes and policies leave no doubt that the Kremlin is not willing to make concessions on the ideological front simply to avoid strengthening the hand of those opposing Mr Carter's strategy of détente. —Reuter.

mlin says n match buildup

Feb 17.—Marshal Istomin, the Soviet Minister, today urged States not to try to military superiority, Moscow could swiftly new American in the theoretical Communist, Marshal said that militarism the United States yet given up hope of military superiority Soviet Union by newer and newer mass annihilation. y's economy, science y are now at such- level that we are matching and sur- at the enemies of e" be added. Ustinov's article, in advance of pub- Tass, was seen as a to Western charges the Union was itself military superiority. It red to reflect high- in Moscow that can weapons develop- and undermine pros- a future strategic

Yugoslavs expel human rights campaigners

From Dassa Trevisan
Belgrade, Feb 17
Yugoslavia today deported three West Germans who have been campaigning for the release of Mr Mihaljo Mihaljov, the author, and Father Sava Bankovic, an Orthodox priest, both serving long prison sen- tences for their public criticism of the regime. The Germans, one of them a Roman Catholic priest, repre- sented the Frankfurt-based Society for the Rights of Man. They arrived in Belgrade a week ago with a petition signed by 4,000 people in West Ger- many and France which they hoped to deliver to President Tito and the Yugoslav Minister of Justice. The authorities refused to accept the petition and on Mon- day the Germans began a hunger strike. This morning two policemen came to their hotel and in- formed them that they were being taken to the airport. They were put on a flight to Munich. Moscow: Mr Alexander Gins- burg, the Soviet dissident who was arrested two weeks ago, has been formally charged, but the investigators refuse to give details of the alleged offences. Mrs Lyudmila Ginsburg learnt that charges had been laid against her son when she went on Tuesday to Kaluga, south-west of Moscow, where he is being held.

he Czechoslovaks jailed for spying

Feb 17.—Three aks were sent to military court here arges of endangering and passing them in power, the Czechos- slovak agency reported. leaded guilty. initials of their last re disclosed. Jiri G. was sentenced to 15 for espionage as the only mem- ber of representatives

of socialist states. He was said to have passed abroad informa- tion of political, economic and military matters from 1962— until last year and distributed "Western reactionary mag- azines" defaming representatives of socialist countries. In 1964 he was said to have set up, on behalf of the Voice of America, "The Club of friends of United States music" with himself as the only mem- ber, and thus established con-

tact with an employee of a foreign mission. He passed information on the "location of military gar- risons, equipment of airports and other facts". Milan K. aged 21, was sen- tenced to two and a half years in jail for "revealing relevant facts which he learnt during his military service". Petr C. aged 30, was sentenced to 18 months' jail for the "endanger- ing of state secrets". —AP.

r envoy in 1 for in harmony

to Modiano
b 17
t Carter's personal r. Clark Clifford, Athens today on mission to ease the fish conflict over the Aegean and to uited States defence n this area. ord had a brief first night with the Con- gressman, the Con- sider. They will have meeting tomorrow. Clifford paid a call on President Greek journalists on at President Carter broaden and develop with Greece. "It of the United States any contribution we tain peace." recent spectacular nts in Cyprus, lead- proposed resumption ercommunal talks in March 31, in a sense ed the scope of Mr mission, although st contribution to a would be if, after e is able to reassure that the Turkish led to the break- re sincere. ford's talks are ex- focus on the future States military bases, whose status has en renegotiated. The erment is now ready t at once with the f the revised bases

In brief

2,500 rescued from floods
Maputo, Feb 17.—A huge rescue operation continued today in Mozambique's worst flood disaster in which at least 300 people have died. More than 2,500 people were rescued yesterday by helicopter, lorry or jeep in the stricken southern Gaza province, official sources said.
TV doctor
New York, Feb 17.—Dr Kissinger, the former Secretary of State, has signed a five-year agreement with the National Broadcasting Company involv- ing television appearances on programmes concerning inter- national affairs.
Deaths in Argentina
Buenos Aires, Feb 17.—Argentinian troops killed six left- wing guerrilla suspects today and later other suspects threw a bomb killing two civilians, the Army reported.
Mexican round-up
Mexico City, Feb 17.—Armed police today raided dozens of private homes in a crackdown on urban guerrillas who have killed at least 10 people this year.
Kosygin visit fixed
Helsinki, Feb 17.—Mr Alexei Kosygin, the Soviet Prime Minister, will visit Finland as the guest of President Kekkonen on March 21-25, it was announced here today.

Britain 'to negotiate with Argentina' on Falklands

From Andrew Tarnowski
Buenos Aires, Feb 17
Argentina and Britain have agreed to raise their talks on the future of the Falkland Islands to the level of negotia- tions, according to Admiral Cesar Guzzetti, the Argentine Foreign Minister. He told journalists last night that he and Mr Edward Row- lands, Minister of State at the Foreign Office, had agreed during their opening meeting on Tuesday that further dis- cussions should be at the level of negotiations. They would include the re- appointment of ambassadors. The correspondent of the Buenos Aires newspaper *Clarín*, reported from the Falklands that although pro-British "ultras" were in a majority among the islanders, "there is also a group favouring greater cooperation with Argentina."

Inquiry into nuclear waste
Canberra, Feb 17.—The Australian Government has ordered a new investigation into the possible impact on the environment and ecology of British nuclear waste buried at Maralinga in South Australia. Mr Jim Killen, the Defence Minister, replying to a question from the Opposition leader, Mr Whitlam, in the federal Parlia- ment yesterday, said that the investigation was the principal

Nixon gifts described as chicken feed compared to big business aid to Congress Party

Money weighs the election scales in Mrs Gandhi's favour

From William Frankel
Bombay, Feb 17

The political eye of the storm has moved from Delhi to the constituencies on this the last day for nominations for the Lok Sabha elections. Mrs Gandhi travelled to her constituency, Rae Bareilly, to lodge her own nomination papers today. Before leaving the capital, she made repeated statements of her desire to see free and fair elections. But whether they will indeed be democratic, fair and free is still open to question. The relaxation of the emer- gency for the election has led to the election of many detainees among them opposition candidates. All opposition parties, other than the three small banned groups, are free to campaign and press censor- ship is not being applied. But the opposition claims that thousands are still in detention all over the country and that the ruling Congress Party alone possesses the

advantages of power and money. In most rural constituencies each with about half a million voters, many people will not go to the polling station unless taken by car and cars cost money. It is not only getting there which is an advantage. Cars are potent vote-getters in the remote districts where a drive can make a more per- suasive appeal than a manifesto. In the interview she gave me earlier this week, Mrs Gandhi claimed that her party did not have an unfair financial advantage over the opposition and she denied that the Congress Party had received large gifts from big business. On the other hand, a leading industrialist with direct know- ledge told me: "The gifts for which Mr Nixon was criticised are chicken feed compared to what business houses are giving to the Congress Party here—the poorest country in the world."

source told me of cases of civil servants promising tax reduc- tions or other benefits in return for political contribu- tions. These go mainly not to the party direct, but in pay- ment for advertisements in party journals or souvenir brochures, some of which have already been published when the advertisements are solicited. Mr Mohamed Yunus, one of the Prime Minister's close asso- ciates, has toured the country for "advertisements" for the *National Herald*, a front for the ruling party's political propaganda. Money is indeed im- portant in the election campaign and the Minister of Finance of one of the Congress-ruled states put it to me delicately when he conceded that "finan- cial help flows more easily to the Congress Party". The partiality of All India Radio and Television, which is government-controlled, is read- ily verifiable. For example, there was nothing in the main

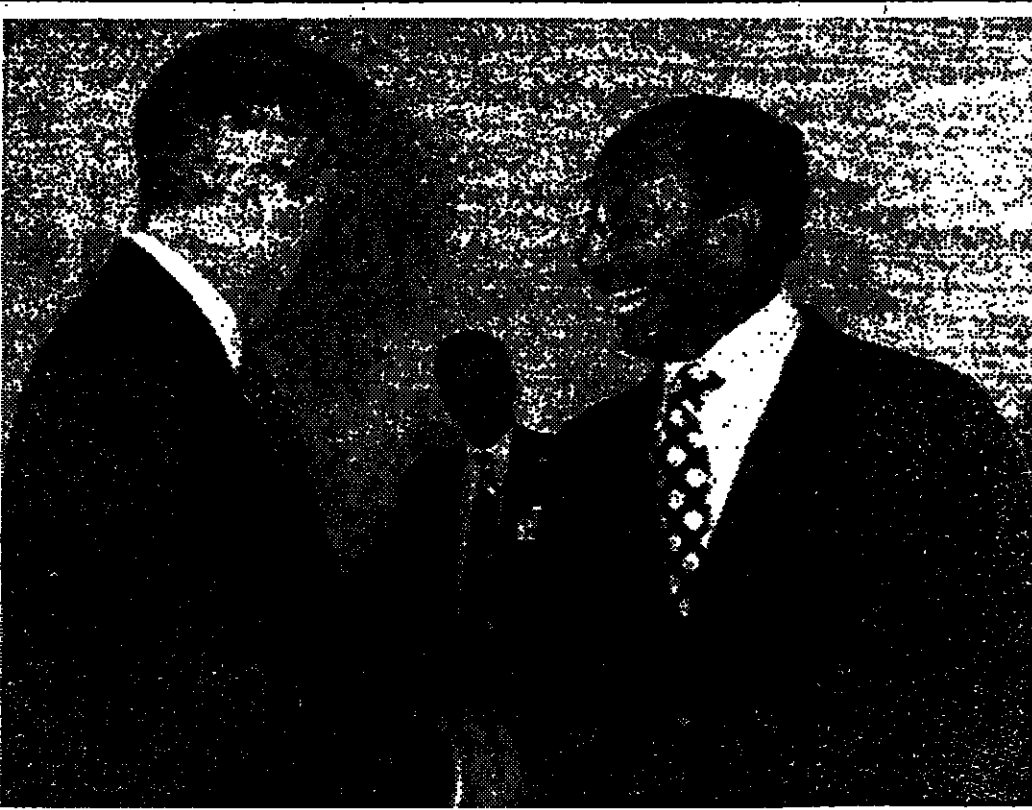
news bulletin on the day of the opposition rally in Delhi at which some 200,000 people heard the two main opposi- tion leaders, Mr Jayaprakash Narayan and Mr Jagjivan Ram. Yet the previous day almost half of the news bul- letin was devoted to Mrs Gandhi's great rally at the same place. One of the early tests of the fairness of the election will come when election officials consider the nominations within the next week. Wide- spread disqualifications—and these are not expected—could constitute a body blow to the opposition. Because of the recent consti- tutional amendments, any can- didate challenging a disqualifi- cation can no longer go to the state high court which could act expeditiously, but only to the High Court—an expensive and slow process. Free and fair? Certainly there is freedom of expression in India today. But the fairness of the election will be ques- tionable so long as the scales

are so weighted in favour of the Congress Party. Not only are many opposi- tion election organizers still detained but the opposition party apparatus is far less pre- pared, financed and staffed than that of the Congress Party. In rural areas there will be few opposition officials to watch the ballot boxes as they are hauled long distances in the court and guard against the possibility of rigging en route. Our Calcutta Correspondent writes: Mr Jayaprakash Narayan made a large public meeting in Calcutta this evening that Mrs Gandhi had ordered an election only because she was afraid of a "people's explosion". He declared: Mr Narayan bitterly criticized the pro-Moscow Communists who have an electoral under- standing election in West Bengal but he asked people to support the Marxist Communists who have a simi- lar understanding with the opposition Janata party.

Vance-Sadat talks on Middle East peace

From Our Correspondent
Cairo, Feb 17

Mr Cyrus Vance, the United States Secretary of State, held talks here today with President Sadat and Mr Ismail Fahmi, the Egyptian Foreign Minister, on the Middle East situation including prospects for resum- ing the Geneva peace con- ference. Mr Vance arrived here today on his first visit to an Arab country since he was appointed Secretary of State by President Carter. He has already visited Israel for similar talks which he described as helpful and useful. In a statement on arrival here, Mr Vance said his mis- sion was a fact-finding one and that the United States was doing its utmost to help the quest for a Middle East peace. He paid tribute to President Sadat, saying: "We, in the United States, have the greatest respect and admiration for President Sadat, a man of vision and a statesman who is working for a durable and lasting peace as well as a better economic life for his people." An important issue in Mr Vance's talks here is the con- troversial question of the par- ticipation of the PLO at the Geneva conference, which Mr Vance said it was hoped to resume in the second half of this year. The Arab states, including Egypt, want the PLO to take part in the Geneva talks as a full member. Israel rejects this.



President Sadat welcomes Mr Vance before their talks at the Egyptian leader's home.

The United States is also opposed to the PLO taking part at the Geneva conference as a separate entity unless the PLO recognizes Israel's exis- tence. After a two-hour meeting President Sadat said he had proposed that a Jordanian-Palestinian confederation should be established even before the Geneva conference resumed. This was seen as a move by Mr Sadat to overcome the thorny problem of Pales- tinian participation at Geneva. Mr Sadat conferred twice with Mr Yassir Arafat, head of the Palestine Liberation Organization (PLO), before Mr

Vance's arrival in Cairo. They were believed to have discussed the Egyptian leader's plan. President Sadat's suggestion could be interpreted as meaning that a single delegation consist- ing of Jordanians and Palestin- ians should attend the Geneva meeting. He said there should be "a formal declared link" between the Palestinians and Jordan. "What I have in mind is a confederation, but they (the Palestinians) are free to decide what they want," he said. Cairo, Feb 17.—President Sadat announced that he will be going to the United States early in April at the invitation of President Carter.

Beirut, Feb 17.—M Louis de Guiringaud, the French Foreign Minister, who is on a Middle East tour to see if France can help bring peace to the area, called on President Elias Sarkis of Lebanon today. An earlier version, the CBU 55 was used in Vietnam, the Israelis wanted it to destroy Arab fortifications. The last time this sort of upset happened, Dr Kissinger promised Israel some Pershing long-range surface-to-surface missiles, of a sort which could reach Egyptian cities from Israel territory carrying a nuclear warhead. Congress put a stop to it.

Israel not to get US concussion bomb

From Patrick Brogan
Washington, Feb 17

The American Government has decided not to sell the CBU72 concussion bomb to Israel. President Ford promised it in the closing days of last year's election campaign, partly to answer criticism from Mr Carter that the United States was not doing enough to help Israel. Mr Carter also argued against some American arms sales, add- ing as evidence that, after reviewing this particular item, that it is a weapon which should not be supplied to any foreign country. The CBU72 is probably the most deadly non-nuclear weapon in existence. It is dropped by parachute from a jet and can obliterate anything over a circle up to 150 feet across. A particularly volatile fuel is sprayed from the bomb, and ignited. Combustion is so rapid and complete that air is sucked out of the lungs of anyone there and none but the most solid structures could survive. The device is also used to clear vegetation in a jungle for a helicopter landing. An earlier version, the CBU 55 was used in Vietnam, the Israelis wanted it to destroy Arab fortifications. The last time this sort of upset happened, Dr Kissinger promised Israel some Pershing long-range surface-to-surface missiles, of a sort which could reach Egyptian cities from Israel territory carrying a nuclear warhead. Congress put a stop to it.

Chicago schools in race dispute face cut in funds

From Our Own Correspondent
New York, Feb 17

New pressure was brought to bear on the Chicago school board today to overcome racial segregation in its schools. A federal official ordered all federal funds to the board to be cut off because of arrange- ments by which black teachers teach largely in predominantly black schools, and white teachers in predominantly white schools. He also ruled that not enough effort had been made to provide bilingual teachers for pupils who know little or no English. The Government provides about a sixth of the school board's budget. The board has 20 days to appeal against the cut-off of funds or to produce a plan for compliance with federal requirements.

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The need for a new look at pensions in inflationary times

In the December mini-budget the Chancellor decided to leave inflation proofed pensions alone. It had been rumoured that he was considering two possible changes. The first was to limit the rise in public sector pensions to the pay policy limits and the second was to make the annual increases discretionary. Some Cabinet Ministers objected, apparently at the last minute, but the decisive factor was almost certainly the appreciation that either change required amending legislation.

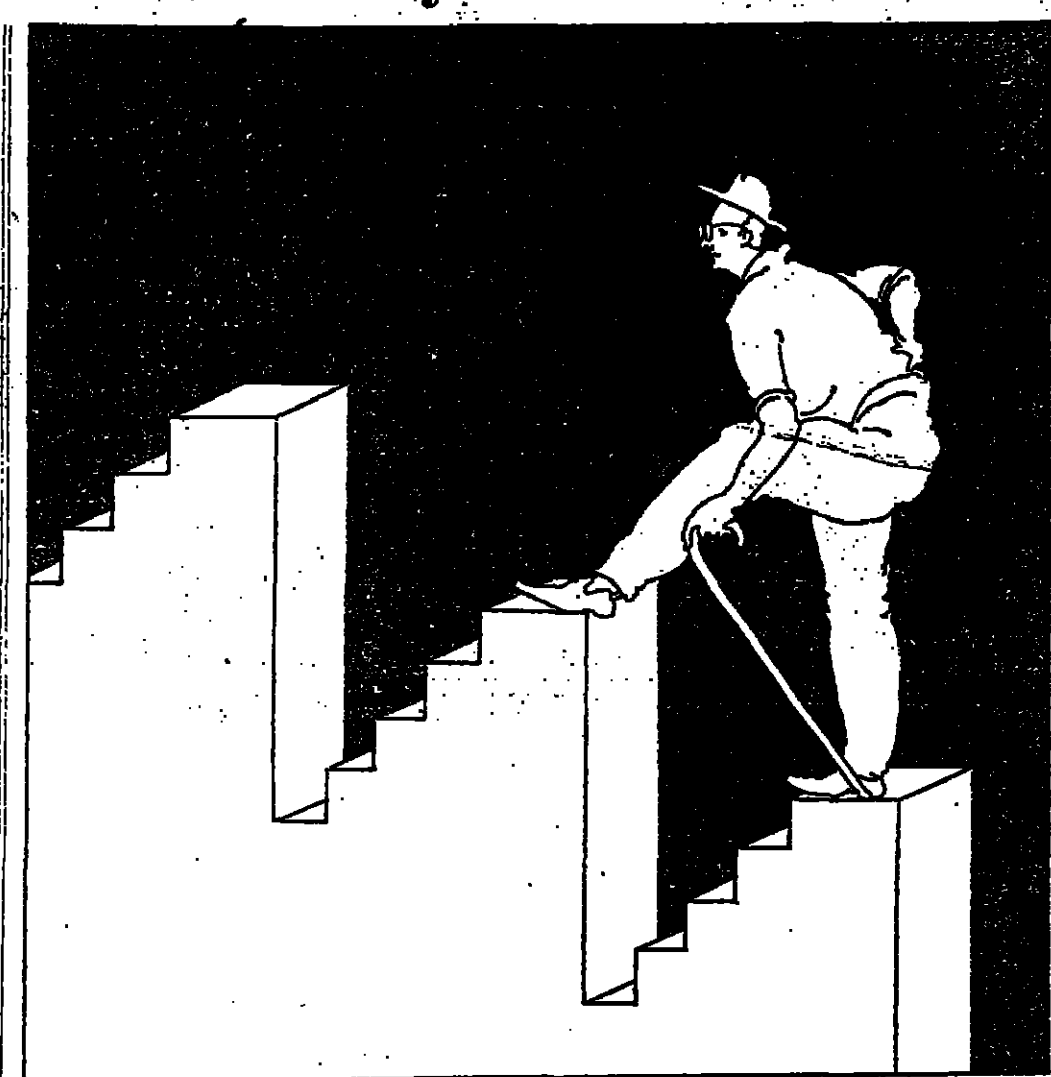
Mr Healey therefore asked the TUC to consider inflation proofed pensions as part of the negotiations on stage three of the social contract. At the time, before the cement hardens on stage three, to make one's own views clear. Moreover, it is important that voices, other than those of the TUC and the Government, should be heard on this complex issue.

The case which led the last Conservative Government to introduce inflation proofing for public sector pensions was very strong. Pensioners are in no way to blame for inflation; they are the victims of it, and therefore it is only fair to protect them in its ravages. All that they are being guaranteed is that their pension will not fall in real terms. For many years army and navy pensions were scandalously low. All that the Crown has said to soldiers and sailors who have enlisted since 1971 is that they and their widows and children will get their pensions in the un-debased coin of the realm. Is that unreasonable? Moreover the principle of inflation proofing pensions is widely accepted, since all pensioners are now guaranteed by law that their basic state pension should keep pace with the cost of living by annual up-rating.

That is all very well provided that the country can afford it, and that it does not produce real unfairness between different pensioners in society. The cost of the December 1975 increase of 26 per cent for public servants was £180m; in 1976 the increase of 13.8 per cent cost £144m. These are significant figures, and it is likely to be higher next year as the rate of inflation will probably exceed 13.8 per cent. Inflation proofing can be afforded if the long term rate of inflation is below 5 per cent. If however the rate of inflation is moving for a long period to a much higher level, say 10 per cent, then the cost of inflation proofing will rise substantially, and the gap between those who benefit and those who don't will grow dramatically. Moreover, if pensions are only indexed to the rate of inflation, and the gap between those who benefit and those who don't will grow dramatically. Moreover, if pensions are only indexed to the rate of inflation, and the gap between those who benefit and those who don't will grow dramatically.

Private sector pension schemes cannot afford to guarantee inflation proofing, though some companies make large payments out of their profits to give some additional protection to their pensioners. The public sector pensions are therefore regarded as belonging to a highly privileged class, just as the public servant is regarded as living in a cosy world insulated from the real world where the real wealth of the community is created. This has led to extravagant claims that inflation proofed pensions are a vital element in the recruitment of youngsters to the public service. I find this hard to believe, and if young people thinking of entering industry are really concerned about whether they can better off after they have reached 65, then they and industry would be better off if they took their adventurous talents down to the town hall.

There is a much more real problem for the man of 40 who



Brian Grimwood

is thinking of switching jobs. But the answer to this is to enable private sector schemes to inflation proof. One way of doing this—namely the indexation of interest on government securities—has been advocated by *The Times*. Pension funds could then purchase investments which would yield a return that was constant in real terms. Indexation of public debt could, however, divert funds from other sources of saving and for this reason the Government are unlikely to do anything about it in the near future.

What then should be done? One of the first things to appreciate is the size of the problem. About 1,200,000 pensioners—former civil servants, local government workers, teachers, MPs, doctors and nurses—get their pensions increased by law each December. About a further 800,000 workers, mainly in the nationalised industries, receive the same increase by custom, and so over two million pensioners are involved. Furthermore, there are about 6,500,000 people in public sector employment who confidently expect to get this benefit. Already the doctors have warned off anyone tampering with their inflation-proofed pensions, which they look upon as a contractual right.

Sir Eric Sachs, a former Lord Justice of Appeal, and an assistant adjutant general in the war, has argued the case for leaving the armed forces alone and particularly middle ranking former officers who in any change are likely to see their relative standard of living fall again.

There are several possible changes. First, pension increases could be limited to the general level of any pay policy that may be operating. This sounds attractive but it assumes that a pay policy will be a fixed and regular feature, and it is the nature of this beast that it comes and goes. Moreover, the savings in expenditure are tiny. If pension increases have been limited in 1975 to 6.6 per cent, and in 1976 to 5.4 per cent, the savings would have

only amounted in each year to £8m and £5.5m. But there is one aspect of this that is palpably unfair. Many people can break the pay policy limits with fringe benefits and so why should pensioners have to observe the lower limit of the limit rather than its higher result. A naval pensioner, for example, cannot get the fringe benefits that a seaman can get which allows him to receive more than £5 of pensions are tied to pay policy limits, pensioner pressure groups would supervise the pay policy much more keenly than the TUC. Perhaps a public sector pension alliance would follow the National Association of Freedom to the high courts to defend their claim for parity with a union succeeded in breaching the pay policy.

Secondly, there could be a cut-off level at say pensions of £50 a week, below which inflation proofing would continue and above which there would be little or no increase. This deals with former permanent secretaries, town clerks, and police chiefs, but the savings would be minuscule. It has a good socialist ring about it, but it is this ideal that leads to closing differentials and to marginal tax rates of 83 per cent and 98 per cent. Furthermore a fixed limit of this sort creates anomalies when those below have reached it, but the incentive for those still at work at the higher salary level is reduced since their relative living standards postretirement will fall. Something will have to be done about the higher paid pensions, since if the salary of a senior person remains static and the pension rises by the inflation rate, the pension could be higher than the salary in about 7 or 8 years at the going rate of inflation—as Sir Robert Marks has found out. This could be dealt with by linking pension increases to earnings, rather than prices.

Thirdly, there could be a percentage upper limit for every one of say 5 per cent or 10 per cent. This is, more attractive, since the savings would be substantial, and the state could fairly say that it will protect its pensioners from some, but not all, of the effects of inflation. None the less it would give better treatment than a private funded scheme could.

So all these solutions are flawed. What is more significant is that each of them could actually create injustices. A fresh look at the problem is needed. Suppose the Government said to the whole of the public sector: "You can have inflation proofed pensions, but the present generation of employees in the public sector must contribute an appropriate amount for this benefit." In the periods when pay policy does not interrupt the system 1.75 per cent is deducted from the annual civil service pay increase to allow for inflation proofing. This simply cannot purchase the increases of 9 per cent in 1974, of 26 per cent in 1975, and 13.8 per cent in 1976. What is needed is an independent assessment, by public sector and private sector representatives, of what deduction would be appropriate. From inquiries carried out by the Government's Pay Research Unit, it would be possible to set this up as a public body with an independent chairman and a board drawn from both the public and private sector.

If it were to happen the public sector unions in their annual wage negotiations could decide which level of inflation proofing they want, and which the present generation of employees are prepared to afford, since they would have to foot the bill. Such a system would give parity with the employees who pay into a private pension fund. It would be fair and would not create new anomalies. I hope the TUC and the Government will consider it.

Kenneth Baker

The author is Conservative MP for the City of Westminster, St. Margaret.

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How Spain lags behind in laws on marriage

While Spain is evolving politically towards a form of government similar to other western European countries, socially the country is still lagging behind as the recent adultery trials and the impossibility of obtaining a divorce show.

However there are signs that social reform is on the way, with a reform of the adultery law and recognition of the right of divorce expected. Ironically Spain in 1932, in the second republic, was the first European country to have a divorce law, which was revoked by General Franco in 1939 after the civil war. Now Spain along with Ireland is one of the few countries which does not recognise divorce.

The adultery trials have caused uproar in feminist circles. "Justicia" is a feminine word in Spanish but as far as women are concerned that is about the only concession the law makes to them in matters of adultery. It is virtually impossible for a man to stand trial for committing adultery as the law gives him a privileged position, yet a woman can easily be brought to trial.

Article 449 of the penal code, the butt of much abuse in post-Franco Spain, says that a woman will be punished for having sexual intercourse with a man who is not her husband, even if she is separated or the marriage is in the process of being annulled.

Spanish law recognises that the man can have as many extra-marital affairs as he likes as long as he does not commit adultery in the marital home or cause a public scandal. In practice there have been very few trials of adulterers but many of adulteresses.

The maximum sentence is six years and unlimited damages. While General Franco ruled, terms of imprisonment, usually of one to three years, were handed out. Since his death there have been several trials at the end of November a man and a woman

were sentenced to seven months imprisonment each. But for the fact that they committed the offence before November 25, 1975 they would surely have gone to prison. King Juan Carlos granted an indulto (pardon) on that day which covered crimes committed before then.

Seven months is almost the minimum sentence, showing that judges these days are loath to attract publicity on the issue. The lawyer of the offended husband had asked for six years and damages of £40,000.

This trial and others including that of a medical student in the autumn all culminated in demonstrations by women, some of them holding placards saying: "I too am an adulteress".

Until the law is changed the women in these cases still run the risk of coming to trial again if my husband sees me with the same man more than three times this is sufficient grounds for him to bring a fresh prosecution," said Maria Benito, a medical student. The court rejected the charge of adultery brought by her husband in October. But if he misbehaves before the marriage is dissolved (proceedings have started) there is nothing I can do even if I wanted to."

Lawyer Juan Ignacio Ortiz de Urbina Pinto, who defended the man and the woman in the November trial, says the reason for this double standard is that "our penal code is male-orientated. It is based on the Moorish idea of protection for women: that the woman is inferior to the man."

More importantly, the heavy punishments for adultery and the ban on divorce are due to the continuing preponderant influence of the Roman Catholic Church in Spain. According to the country's fundamental laws Spain is a confessionally Catholic country and "marriage" is one

law because it was "radically opposed to the profound religious sentiment of the Spanish people". Now that the dictator is dead and the Concordat of 1953 regulating Church-State relations is being revised, probably leading to an eventual separation of Church and state, the way is open for a divorce law.

The Spanish Church has yet to pronounce on the divorce issue. While it is loath to support the cause, the more progressive elements recognise that it is a social reality, if not a desirable one. A special commission is drawing up the law which looks as if it will be a mixture of the 1932 one and the Italian Fortuna law. As in Italy there will probably be a referendum afterwards, assuming that the law is approved by Parliament. It could be one of the first Bills which next summer's democratically elected Parliament looks at. The law is expected to list nine reasons for obtaining a divorce including the abandonment of the marital home for more than a year.

Lawyers estimate that about 400 couples separate every month in Madrid alone and about 400 more are separated by religious ecclesiastical courts. This gives a national figure of over 100,000 couples who split up in a year and would probably benefit from a divorce law.

At the moment the only way a person can remarry in Spain is to have the marriage annulled. A lengthy process which averages about four years. There have been cases taking up to 16 years. The planned reform would remove the adultery issue from the penal code and place it in the civil code. The divorce law is likely to meet stiff resistance from reactionary elements who see it, like General Franco did, as a sign of decadent liberalism and so at all cost to be avoided.

William Chislett

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WELCOME FOR MURDER

Amin's offer of facilities in investigation into the of the Anglican arch-Dr Jenani Luvum, and ters Orvenia and Oboto should be sternly p. The International of Jurists are to have said already, everyone undoubtedly that the three men assassinated under cover of accident. The Jurists as for the task. There rs who could hold the to his word and the evidence. Prob- would not be allowed The President may de the offer to have s to say. When he s, his complicity in en's death may be as certain as his y in the hijacking at and in the thousands barbarous killings that regime.

ong presumption must Amin's army security k the job over after ident had shown his h the Archbishop, who, r bishops, had rightly otesting about the of law and order, the curity of life, and the army murderously the civilian population. bishop had threatened peaceful march from idral supplicating por for him to agree to him in captured s which purport to

reveal a plot against the Amin regime, documents which vaguely incriminated the two ministers (among the first and staunchest of General Amin's supporters) put the army into full cry. It is possible that the plot, emanating from Ugandan exiles in Tanzania, did exist. Many efforts, all in vain, have been made to get rid of the tyrant. That is not surprising. On his record, it is not reprehensible. But it is inconceivable to those who knew him, as Dr Cogan said yesterday, that Archbishop Luvum was involved. It needs to be remembered that the vast majority of Ugandans are Christians, Anglican or Roman Catholic. At first General Amin gave them assurances. But for some years he has put his trust in the Muslim minority, about five per cent of the total, and including many expatriates from Palestine, the Sudan and Zaire. They now hold all the key positions, and have a zealot as well as economic interest in terrorizing the majority of all tribes and denominations. As Professor Ali Mazrui presciently noted in *African Affairs* recently, "a pendulum of revenge" has been set swinging, with an appalling prospect, for the family and tribal blood feuds that Amin has provoked are many and deadly, and reach back to Britain.

The President's extraordinary announcement, concerning these events, that he proposed to attend the

Commonwealth Prime Ministers' conference and the Jubilee, must be considered in its context. The invitation to him to attend is automatic, a Commonwealth convention. But Mr Callaghan and the Foreign Office must be left in no doubt that the convention breaks down in this situation. Public opinion would find the attendance of President Amin quite intolerable. He would be received with open hostility, for he would be known to be responsible for murder, indeed so far as Acholi is concerned, for genocide. Any government which honoured him here would be in jeopardy, and his presence might be a death blow to Commonwealth good relations. The Foreign Office must realize that the President's security could not be guaranteed and might be hard to ensure. At the very least the Ugandan exiles here could be expected to harass him with legal actions, which would embarrass him, his hosts, the other guests, and mar the occasion. Since reactions in Africa (especially during a conference in which Rhodesia may again be divisive) at any untoward happening might be incalculable, it is desirable to persuade General Amin that he is personally unwelcome—the invitation is a recognition of the Uganda that was, and everyone hopes will be again, a African reaction to such an ex-clusion may be heated, but they are the lesser evil. Amin has excluded himself from London in June 1977.

GUILLOTINE FOR UNFAIR VOTES

ound to be only a of time before the nt introduced a motion on the und Wales Bill. Having s second reading, the king exceedingly slow in committee and its f reaching the statute t be negligible unless a guillotine at some is presents a very choice, however, to to believe in the for a measure of ary devotion in meet the expectations e been aroused in but also believe that dangerous defects in it Bill.

acts are not in general t to be beyond amend-ment. That is why it to vote for the Bill readings not simply re of principle but as il legislative action. had indicated that ld not respond to amendments in com-ny narrow spirit, and ned reason to hope cessary improvements made. They have not committee stage has appointment. Not only ne of the Bill's wasted time as but the Government shown the flexibility absolutely necessary. t a guillotine before been any worth-while

concessions on their part would be for the House of Commons to sacrifice their best opportunity to bring effective pressure to bear. Parliament would be handing over its strongest bargaining counter in return for nothing. The Government would be given the means to ram through this Bill without another thought of its defects. That is not the way to do business with Ministers. There are a number of im-provements that need to be made, but only two that must be regarded as conditions for a guillotine: a proportional system of representation as the method of electing the assemblies and improved arrangements for financing them. These are not small matters. If the first-past-the-post system of election is used, with anything like the present division of opinion in Scotland between the three main parties there, it will make a lottery of power in the Assembly. It would be quite possible for one party—for any of the three—to have an overall majority of seats with little more than a third of the votes. If that party was the SNP it would be given a mandate to put the future of the United Kingdom in jeopardy, not by the democratic will of the Scottish people but by a quick of the electoral process. The proposed system of election directly hawks the unity of the United Kingdom—that is the measure of

the irresponsibility of the Government in this matter. If the proposed method of financing the assemblies were to be put into operation the chances for the SNP to promote political conflict would also be maximized. The possibility would be strong enough even if the SNP were not in office. There are two objections to the proposed system of financing: the assemblies are to be given no revenue-raising powers of their own and the method of determining the size of the block grant from the Treasury is a prescription for semi-public political haggling year by year. If that happens the Union might be put in danger in that way as well. But it does not need to happen. It is not a necessary consequence of the Bill. Changes could be made in both the method of election and the system of financing without endangering the essential purposes of the Bill. Those purposes remain valid. The case for devolution as a necessary political response to Scottish opinion is as strong as ever. It would be desirable to pass this Bill with the appropriate changes. But finance and the method of election go to the heart of any assembly; so long as the proposals for them threaten the future of the United Kingdom the Government should be denied their guillotine.

NTISTS MUST DEFEND THEIR OWN RIGHTS

tend to be very ver how to react to reassure scientists in tries. Some feel they ight to meddle in the affairs of foreign ome feel that if there otect it is better con-velty than publicly. ue with great convic-ust pushing protest to where contacts with ntries are broken, or al bodies split. Some judgment on the at there is no way of ig objectively the which political policies e regarded as intoler- that scientists should cience and leave poli- of politicians. And of ome scientists ad with non-militaritan and others have been he point of cowardice. lebrates, are now becom- to resolve for two asons. First, it is ore obvious to more that scientific work in checking and cross- across international which means that must be free to pub- at each other. If they ned from doing this y they themselves who even only their own t scientific inter-traffic in scientific s. For this reason

alone it is the legitimate concern of all scientists when one of their number is prevented from working, publishing, or travelling. Secondly, a body of international law is now accumulating which provides an objective scale against which the domestic laws and general behaviour of individual countries can be measured. This has been set out and examined in a new report, *Scholarly Freedom and Human Rights*, published yesterday by the Council for Science and Society in collaboration with the British Institute of Human Rights. The situation, argues the report, is now radically different from what it was before 1948, when international law was for practical purposes little more than an academic discipline and some people could argue that the conduct of the Nazis towards their own citizens was, while morally abhorrent, legally defensible. Now there is "a tolerably comprehensive list of substantive rules and principles which can be correctly described as 'international human rights law'". The list includes the Universal Declaration of Human Rights, the European Convention on Human Rights and Fundamental Freedoms, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and

Cultural Rights, the Declaration of the Rights of Scientific Workers, the Final Act of the Helsinki Conference on Security and Cooperation in Europe, and more. The problem, of course, is how to enforce these rights where there is no international machinery for the purpose. Here the report invokes the remedy of self-help, comparing the state of affairs in the international community with that of early societies where laws and courts had not yet developed along these lines should assist bodies such as the Royal Society and the Royal College of Psychiatrists when debating what to do about the political persecution of scientists, or improper behaviour by doctors, for instance, in east or west. In most cases there are no longer grounds for debating whether to act, only how to act. The report discusses possibilities ranging from private protests through public protests to boycotts and sanctions of several kinds, commenting rightly that public protest is normally much more effective than private representations. Scientists now have growing power over governments, especially where their services contribute directly to military defence or industrial progress. They should not be too hesitant about using this power to defend human rights.

tech at Essex

Max Morris
Ingratful attempt to pre- Joseph being heard University, whoever was bears all the hallmarks ite inspiration. It is yet ample of the campaign the operation of dem- tions to which I drew in my recent article in (January 25), its most ect, however, is that the nion appears to have been to declare the speaker on grata, thus presuming a political society whom hear and whom it should lied generally this would

of course undermine the whole basis of democratic political life in the university. Knowing the way the Trotskyites operate, I think it also quite likely that the attack was a deliberate provocation (secretly decided upon in the usual way) designed to encourage a counter attack by the university authorities, or even in higher places, on student union autonomy in the hope that this would precipitate a new and major confrontation. There are many who will now be helped more persua- sively to argue that student unions are unfit to be responsible for the spending of public money. This will be grist to the Trotskyite mill. I would expect the leaders of the

National Union of Students to understand this and therefore to repudiate immediately both the actions of the student hooligans and the perversion of democratic procedures encouraged by the Essex Union. One final point needs to be stressed. Though Sir Keith was greeted with cries of "fascist", the fascist methods were in fact employed by his opponents. There is a lesson to be learned here by those on the left prepared to look upon Trotskyism with benevolent neutrality. Yours etc. MAX MORRIS, 44 Colindale Road, N8, February 12.

The power of civil servants

From Mr Adrian Ham
Sir, Having worked as Special Assistant to the Chancellor of the Exchequer from March 1974 to March 1976, and having been completely uninvolved in the workings of the Treasury, I am writing to you to say that I am not a fan of the Treasury. It seems to me that I could usefully comment on *The Times* leader of February 15, entitled "Where Mr Haines is Mistaken". This leader attempted to pour scorn on Joe Haines' revelation of a classic Treasury "ambush", as well as to make various pious, and inaccurate observations on the workings of the Civil Service. It was of course just Joe Haines and Richard Crossman who believed that the Civil Service had its own political viewpoints that it fought and connived to achieve. The behaviour is also recorded in the books of Heclo and Wildavsky (*The Private Government of Public Money*); Martin Gilbert's *Biography of Churchill*, Vol. II; recent newspaper articles by Sir Harold Wilson, Sir Peter Jenkins in *The Guardian*; Roger Opie in *The Making of Economic Policy*, edited by Hugh Thomas and Anthony Blond; in Sam Britan's *Securing the Economy*; and so on. It is particularly amusing that the writer of *The Times* leader in question should say, "One does not hear any complaints from the Civil Service, the Bevin or the Macleods about over mighty officials, although they must have all received advice from time to time with which they strongly disagreed".

Apart from the obvious reason why one does not hear any such complaints, the comment must be made that there is written evidence of at least Churchill's attitude to the Treasury officials—to quote his brilliant memorandum of February 22, 1925, when he was Chancellor, to Sir Otto Niemeyer, a very senior Treasury official: "The Governor shows himself perfectly happy in the spectacle of Britain possessing the finest credit in the world simultaneously with a million and a quarter unemployed. . . . This is the only country in the world where this condition exists. The Treasury and the Bank of England Policy has been only partly consistently pursued. It is a terrible responsibility for those who have shaped it. . . ."

You and the Governor have managed this affair. Taken together I expect you know more about it than anyone else in the world. At any rate, some in the world who have had an opportunity over a definite period of years of seeing your policy carried out. That it is a great policy, greatly pursued, I have no doubt. But the fact that this island with its enormous resources is unable to maintain its population is surely a cause for the deepest heart searching. I quote this at length since it illustrates starkly how much Churchill realized he was in the

hands of his officials. A careful reading of the collection of documents in T170/14998 from the Public Records Office suggested, at least to me, that Churchill did not get out-argued, as the pompous *Times* leader blandly states. He was politically out-manoeuvred and isolated. Mr. I agree, "ricked", but that standards have changed since 1925, even in the Treasury. Incidentally, it is interesting to compare Churchill's profound concern over unemployment with the cavalier indifference of *The Times*, as shown in *The Times* "Alternative" strategy revealed last year. In my experience, the deliberate, calculated, lie or distortion was not uncommon currency in civil servant dealings with Ministers. Since Ministers are not responsible for major appointments in their own departments, it is of course very difficult for them to do very much about this kind of thing. In fact, one of the greatest sins it appears that a Permanent Secretary can commit is to let his Minister in on some confidence concerning official business passed on through the unofficial "Permanent Secretaries" network. To whom does their loyalty lie? I often asked myself while in contact with them. The most indicative comment I heard was made by a bright young Treasury "clerk", an Oxbridge graduate, of course, at a cocktail party. "The longer I work at the Treasury," he said, "and talk to the people here, the more I lose confidence in the man in the street." The attitude, expressed quite seriously, seems to me also to be prevalent in *The Times* writings, particularly on economic affairs. The loyalty is certainly not to the ordinary Briton.

In conclusion, one notes that *The Times* leader fails to contradict Joe Haines' description of a classic Civil Service gambit—to Cabinet or to a Minister, and the "coincidental" pressure, that according to the officials can "only leave one option". Joe Haines has described just one use of this gambit. There were others. Yours faithfully, ADRIAN HAM, Chairman, Crouch Hill, N4.

From Mr P. G. Drasin
Sir, Mr Kenneth Baker, in the letter you published today (February 15), wrote of the Bourbons in the Treasury and the Mafia in the Cabinet Office. Please tell us when and how they ousted the Mandarins. It is no wonder that some Scots and Welsh want devolution. Meanwhile it is high time that the Treasury was re-organized, so that at least the English were in control of Westminster. Yours faithfully, P. G. DRAZIN, 24 Kerestean Road, Bristol, February 16.

Charter 77

From Mr George Mikes
Sir, I cannot, for obvious reasons, indicate my source but please take my word for it that this story is absolutely authentic. Pavel Kohout's (who is one of the prominent signatories of Charter 77) doorbell rang in Prague. This usually means the police nowadays so Kohout opened the door very reluctantly. He found a group of workers standing in the corridor, all rather sheepish and all holding a piece of white paper. One of them asked if they could come in. They told Kohout that they were a delegation from their factory and represented many—but certainly not all—of their colleagues. On the previous Friday, when they went to

collect their wages, they had to sign two documents. One was the customary receipt, the other a protest and condemnation of Charter 77. It was clearly indicated, they added, that unless they signed the protest they would not get the money. So they signed. But they were ashamed of their action and that's why they had come to visit Mr Kohout now. Would he accept their explanation; would he tell them that he understood; and would he have a glass of wine with them and accept the best of the workers' protest. Pavel Kohout said he understood and drank the workers' health. I remain, Sir, yours faithfully, GEORGE MIKES, 1b Dorncliffe Road, SW6, February 11.

The future of Mentmore

From Professor Paul J. Korshin
Sir, Mr Simon Houfe is right (February 8) to use the impending sale of Mentmore to call attention to the possible dispersal of John Evelyn's library. But it does not follow that the Save Mentmore cause nor the future of the Evelyn library any good to prognosticate that their as yet unknown (and, at this stage, still putative) purchasers may be United States investors, or that an "imperial, rapacious style of collecting". While it is certainly true that museums and libraries in the United States have made numerous purchases at many British sales, today's sale of Mentmore is a token of a much more limited capacity. Whatever the fate of Evelyn's books, it is likely that most of them will find their

way to libraries where, in institutional hands, they would continue to be available to scholars. In the same way, while it would be tragic if the Mentmore collections should be sold, they have never been available to the public in their present home anyway. One benefit of their dispersal which nobody seems to have noticed would be that some, perhaps many, of them would go to museums in the first time they could be seen and enjoyed by a large audience. Yours faithfully, P. J. KORSHIN, Executive Secretary, American Society for Eighteenth-Century Studies, Box 330, Bryn Mawr, Pa. 19010, USA.

Rockall

From Professor D. M. Menzies
Sir, Ever since the Rockall question arose again, I have been worrying about what the authoritative text of the Irish Republic's claim—in that country's first language, Irish Gaelic—of course—would call the disputed territory. Now Terence Prittle (February 11) has set my mind at rest; it looks like being the term used for Terence Prittle's "Land of Promise of the Saints" in the venerable Irish translation of the *Navicatio Sci Brendani*. When it comes to the translation of the Irish claim into the Irish Republic's second language, English, it looks as if "Rockall" will have to be used. But that, alas, has nothing to do with "rock" for it is an anglicization via the Dutch sea charts of the territory's Scots Gaelic of course, a clear reference to the crying of the sea birds that fly around it. The word *rocaile* is one of a group of Scots Gaelic words derived from Old Scandinavian, and it is a group of which there is no sign in my Irish dictionaries. In other words, etymology proves that the territory was named by the Scots who lived near it, were familiar with it, and succoured the sailors who got wrecked on it and made it their lifeboats for the nearest inhabited land. St Kildans and Uistmen as these Scots were, they performed the naming in the sole language they knew, which is, of course, Scotland's

second one. The territory is thus very much a Scottish off shore island—an integral part of Scotland associated with the life and curative activity of Hebridean crofter-fishermen. Surely the Irish Republic will not reject the evidence of Celtic philology! To do so would be enough to make the Institute of Advanced Studies sink into the ground with shame and cause another nasty gap in Merion Square. Yours sincerely, D. M. MENZIES, 7 Princes Avenue, Newcastle-upon-Tyne, February 15.

From Professor Mark Williamson
Sir, In case anyone takes Mr Prittle (February 11) seriously, may I point out that the nearest land to Rockall is Gobb's Gabb, on the island of Sooty (where the sheep come from) in the St Kilda group? Parts of the mainland of Britain are closer to Rockall than any parts of County Londonderry. The Scottish Islands of North and South Uist, Benbecula and parts of Skye, Lewis and Harris (including the town of Tarbert) are closer to Rockall than any part of County Donegal. Rockall is a long way out to sea, further from St Kilda than York is from London, but nevertheless much closer to the Hebrides than to Ireland. Yours faithfully, MARK WILLIAMSON, The Old House, 4 Fulford, York.

LETTERS TO THE EDITOR

Higher fees for overseas students

From the President of the National Union of Students
Sir, Your editorial on February 16 reflects the unhealthy pre-occupation of Fleet Street with news on its own doorstep, notably at the London School of Economics. You may not be aware that there have been similar occupations, neither more nor less significant than that at LSE, in at least eight other higher education institutions in the country and at more than one mile's radius of your London offices. In addition, student unions have been raising, by different means, their bitter hostility to the recent fees increases in almost every university and polytechnic in the country. Not all have occupied, but many have taken some form of demonstrative action. Sitings are not "disruptive" as student unions are not trade unions and students are not in employment. What these actions, however, reflect is the genuine strength of feeling that exists in the student body against discrimination or any decisions which might encourage racism.

LSE is, however, a special case in one sense only. The spread of its overseas students is quite untypical of the national pattern. Eighty per cent of overseas students in our educational institutions come from "Third world" countries which desperately need economic and educational assistance in order to develop and to improve the material conditions of their inhabitants. Over half the overseas students in this country are doing courses at less than degree level and the overwhelming majority of these are of those who degree-level courses or higher still, are studying in technical and science-based courses necessary to strengthen the economic infrastructure. The reason they come here, and to other developed countries, is that there are no adequate educational resources at higher level in their own countries. As we know from our own industrial revolution, educational and technical institutions grow along with economic development, not ahead of it. In contrast to all this overseas material at LSE are not as technically based as the national picture, they come in much greater proportion from the wealthy industrial world, and they are almost all on very high-level academic courses. Additionally, LSE has tended to see itself as a "youth training ground" for future world leaders and this is not generally the case. Over the last century British industry has extracted much wealth from the academic courses. Additionally, LSE has tended to see itself as a "youth training ground" for future world leaders and this is not generally the case.

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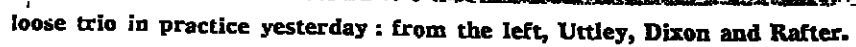
Transport may or may not provide an adequate service during normal business hours, it is generally accepted that the service during the theatre industry's "normal hours" is far from satisfactory. Surely there is no need to add a parking problem to all the other burdens which are placed on the theatre. Would it not be preferable for the planners to make available the extra parking spaces during a reduced rate during evenings as happens in the National Theatre's new car park—rather than to be devising schemes whereby long term parking may be penalized? Yours faithfully, DAVID CONVILLE, President, The Society of West End Theatre, Bedford Chambers, King Street, Covent Garden, WC2.

Human rights in Argentina

From the Director of Amnesty International British Section
Sir, In his article on Argentina in *The Times* on February 10, Andrew Tarnowski expressed an impression about human rights in that country which I feel should be corrected. Whilst it may be true that reports of killings by right wing death squads "vanish in December", it is important to note that political killings in Argentina also include deaths in armed clashes with the authorities—some of which appear to be one-sided to say the least—and the shooting of prisoners while in transit between prisons, as they allegedly try to escape. These continue in 1977. Whilst of course we welcome news of detention orders being lifted, we find that some of the 1800 mentioned by Tarnowski have not gone from their detention to freedom at all, but to a different type of detention, pending their trial. And these trials, of course, will be by military tribunals backed by special laws with little competition in the world league of arbitrary rule by military dictatorships. It would be childish to reject Mr Tarnowski's optimism without good reason; but his persistent theme of government versus guerrillas demands a reminder that the main victims of repression, who compile the 5-6,000 prisoners believed to be held today, are teachers, trade unionists, journalists, doctors and scientists. Yours faithfully, DAVID SIMPSON, Director, Amnesty International British Section, 55 Theobald's Road, WC1 1JF, February 11.

Why April 5th

From Mr W. E. Evans
Sir, The letters published under this heading to date have only concerned the date of the question which this date was arrived at. I have been looking in vain for someone to answer the original question, namely why the practice of ending the tax year on this date has persisted so far into the twentieth century. One had hoped that possibly some member of the Treasury or Inland Revenue could tell us the reason for our being required to perform the endless and pointless accountability involved in apportioning our incomes to this date instead of simply entering the figures already standing in our records as at March 31. Do their silence suggest that there is in fact no rational explanation other than that it has been done this way as long as anyone can remember? For some years, my duties included asking other civil servants why they did things a certain way as a prelude to persuading them to do them more simply and efficiently. If there was a valid reason, someone was only too ready to produce it, if only to show how well he knew his job. On the other hand, the answer "It has always been done this way" was an invariable indication that the procedure concerned was antiquated, inefficient and ripe for change. Could it be that by their silence the Treasury and Inland Revenue agree that they apply to April 5? Yours faithfully, W. E. EVANS, Maltings House, Malting Yard, Wivenhoe, Colchester, February 15.



he defined. "I'm not a professional," he said. "Signing players all depends on the circumstances and, as things stand, Alan ought to do us a bit of good."

George Ureman, Arsenal's goalkeeper-winger, may also join Fulham today for the same fee, £30,000. Arsenal's goalkeeper, Gordon Banks, said last night: "I spoke to Fulham today and he told me he is almost certain to sign for them. I think he will."

Fulham, which has been linked with various clubs in the last few weeks so I'm reluctant to say too much about it.

Early more spacious quarters for Wojcikowski, a Polish-born, 25-year-old, Argentine-born, and a German shepherd dog. Such domestic arrangements are common for Fulham's American tennis programme and the fact that his wife, having completed her university studies in the Romance languages and the humanities, is currently writing a thesis in Florida. Flakus, who has been at Fulham since 1956, is to become an architect. In 1955 he, too, took to the United States

"In 1972 I finish the first year of university. I was the top tennis player in my town already. I went to the dean and he gave me special permission to have more time to do what I want. Then I went into tennis and started to practice."

the top players of my age, but it was my first success. It gave me some confidence, it suddenly broke into me that I am not so far from them as I thought I was. It has taken two years on the circuit, Fibak made only a modest showing in the Wimbledon, French, and United States cham-

Fibak among them.

Rex Bellamy

RUGBY LEAGUE: First division:
 Macclesfield v Leeds (7.50).

THE TIMES

BUSINESS NEWS



Banks cut base rate to 11½ pc but mortgage outlook unclear

By trienne Gleeson
move which has been expected over the past few months as short-term money rates have fallen, the banks yesterday cut their base rates by a 1½ per cent to 11½ per cent—the third since the week of January—means we chip borrowers will be 12½ per cent for their money. This compares with 13½ per cent when the Government interest rates to crisis in the autumn in an attempt to bring the money under control. However, this further cut in rates does not necessarily lower mortgage charges, though the building industry is expected to counter their next move in the middle of March that their

inflow of funds has recovered substantially over the past months. This follows a drastic fall in the last two months of 1976 and a partial recovery in January and they will want confirmation of the better trend before they are prepared to lower their rates.

Yesterday's move to cut base rates was initiated by Lloyds Bank, which is due to report its profit figures for 1976 today. These are expected to show a sharp rise in pre-tax profits from the £95.5m reported for 1975 to more than £150m; and the other three big clearing banks, which report their figures in two weeks, are also expected to show sharply higher profits.

In contrast to the last occasion on which they cut their base rates, the clearers yesterday made no move to widen

their "retail margin"—the difference between base rates and the rate offered to small depositors. The latter fell by a point to 8 per cent.

Given the direction of money market rates, action to cut base rates earlier in the week would have come as no surprise. However, the clearing banks pointed out yesterday that they had been reluctant to cut their rates ahead of "make-up" day—on Wednesday—when the banks' assets and liability figures are assembled for monitoring by the Bank of England. Since any vigorous growth in their interest-bearing eligible liabilities will incur penalties under the "corset" the banks are anxious not to encourage any significant growth in their lending.

At the moment, however, it seems that this is unlikely to be a major problem. Thanks in part to some juggling with their assets and liabilities, and in part to some run off of the borrowing taken out in the autumn in the expectation of some such move to restrain the banks' activities as the imposition of the "corset", the clearing banks have now trimmed back the growth in their interest-bearing liabilities, which are believed to be little in excess of that permitted by the "corset", if at all.

Priority borrowers—commercial and industrial customers—are experiencing no difficulty in obtaining loans, and it was in part to dissuade such customers from going for cheaper alternatives in the money markets that the banks lowered their base rates yesterday.

Financial Editor, page 19

Coats gets £45m loan to finance expansion

By Our Financial Staff
Coats Patons, the big Glasgow-based textile group whose interests extend from thread and yarns to fabrics and knitwear, has arranged to borrow £45m in medium-term money from the National Westminster Bank. The £25m of the money is earmarked to replace existing loans which are coming up for renewal, but the rest will finance capital spending, principally within the United Kingdom.

Mr C. P. Wallace, Coats Patons' finance director, said yesterday that the group had spent £16m-£20m on additions to its fixed assets last year, and that the figure was likely to be "quite substantially" higher in 1977. In particular, the group was planning to spend money on the extremely successful Jaeger manufacturing and retail operations, on its knitwear division, and on its West Riding yarns and fabrics interests.

The decision to spend in such quantities within Britain comes as something of a surprise, for most of the home-based subsidiaries have had a difficult time since the past 18 months, and there has been some rationalization, particularly in industrial yarns. However, Mr Wallace said yesterday that there had been a dramatic improvement in the prospects for the British divisions since the turn of the year, with orders coming in at a much faster rate.

The £25m to replace existing loans will be supplied in foreign currencies and mainly will be used to finance exports. This will leave the group free to finance its working capital requirements—which are expected to rise substantially this year, mainly as a result of cost inflation—out of its existing overseas facilities.

The new loans are to be drawn down from the middle of 1977, and will run for five to seven years. Coats Patons will be paying a margin (unspecified, but at a "blue chip" rate), says Mr Wallace over interbank rates.

Financial Editor, page 19

Cannon repays profits on 'intuitive' Lonrho loan stock purchases

By Richard Allen
Cannon Assurance has repaid profits of around £10,000 which it made on "intuitive" purchases of Lonrho loan stock last year ahead of the group's decision to redeem the stock.

The deal, which first came to light last July and involved Cannon's parent company Keyser Ullmann and Lonrho in a City controversy, have been the subject of a Stock Exchange inquiry.

Posting its findings yesterday the Stock Exchange indicated that the investment manager at Cannon, whose chairman, Mr Edward du Cann, is also a Lonrho director, had bought stock in the market after seeing a British Insurance Association circular which asked for details of the company's holdings in Lonrho securities.

The Stock Exchange "noted" that Cannon had repaid all profits it made on redemption of the £34,000 nominal involved to "sell".

A spokesman for Cannon said yesterday: "Our view was that this was a perfectly proper deal and there was nothing to be criticized in the way it was handled."

But in order to make sure there was no criticism at all and no hard feelings we decided to make the repayments. No pressure was brought on us by the British Insurance Association or the Stock Exchange."

Speaking from the House of Commons last night, Mr du Cann said: "It was a trivial matter which got blown up out of all proportion."

The situation, which resulted in Keyser making policy changes regarding investment in certain stocks, arose when Lonrho decided last February to call in two loan stocks and asked Keyser Ullmann to negotiate prices with major stockholders and organize repayments.

Keyser, following normal

Wilson team to report this year on City finance

By Andrew Goodrick-Clarke
Financial Editor
The Wilson Committee intends publishing an interim report—possibly by the end of this year—on what it regards as the central theme of its inquiry into the City, the provision of funds for industry and trade.

Earlier this year, after the committee's first meeting, its chairman, Sir Harold Wilson, made it clear that the committee regarded this subject as of paramount importance.

Other questions, such as whether there should be greater supervision of the financial system and whether big banks and insurance companies should be nationalized along the lines proposed by the Labour Party, would be "late, but not low" on the list of the committee's priorities, he said.

It was clear at the outset that the Wilson Committee would not complete its work for at least two years, possibly three. The decision to try to complete an interim report on the specific area of funds for industry recognizes the urgency of the debate which has already started.

This is particularly so in view of the substantial work already carried out by the National Economic Development Council committee on finance for investment (the Roll Committee) which was set up early last year.

Under Sir Eric Roll this committee, which includes representatives from the trade unions, management, the City and government, was set up with a wide brief to look at finance for industry.

The Roll Committee has looked specifically at countercyclical investment plans and the need to ensure that industry has adequate finance for capital investment.

While much of the Roll Committee's investigations cover the same ground as the Wilson Committee is inquiring into, the view apparently is that the debate on industrial investment will be of such importance by the turn of the year that the latter should make its views known.

Such, the last meeting earlier this month of Sir Harold's committee adopted a degree of urgency not seen at the first meeting. It was decided to write to all providers and users of finance as well as government departments and the Bank of England asking for their written views within two months on the subject of funds for industrial investment.

The Committee will hear oral evidence on this subject before deciding whether it is possible to present an interim report to the Prime Minister, who called for the inquiry into the City in the face of left-wing calls for bank and insurance nationalization to be included in the next Labour election manifesto.

BP Canada in pilot oil production project

BP Canada, Hudson's Bay Oil and Gas, and the Canadian Petroleum are to build a pilot plant to produce heavy oil from the Cold Lake deposits in northeastern Alberta by an in situ process. The project, which will last about seven years, will use steam and combustion to recover bitumen.

Company News, page 20

It sales cause sharp drop in money supply

By Whitmore
Correspondent
easy sales of gilt edged by the authorities led to a sharp contraction in the supply of money in the week to mid-January. At this keeps the Government comfortably inside its target monetary expansion in the financial year, it provokes concern that netary squeeze should flow to go very much

rate of expansion in the month to mid-December of 4.9 per cent and a peak rate of expansion of 22.2 per cent in September—this latter figure, of course, being the major factor that led to the October crisis measures.

Although seasonally-adjusted bank lending to the private sector did, in fact, rise by about £160m in the latest period, non-bank sterling sight deposits fell by £261m, time deposits by £176m and holdings of certificates of deposits by some £200m.

These falls were caused almost entirely by the diversion of funds into the gilt edged market, where both domestic and overseas investors were buying heavily in the expectation of falling interest rates following the setting up of the sterling safety net.

Over the period covered by the latest figures, the authorities issued three new "tap" stocks—nominal value £1,850m—and so great did the squeeze on the liquidity of the banking

system become that the Bank of England was forced to release some £750m of special deposits to ease the strain on the bank's reserve assets base.

The fall in sterling M3 over the six week period now means that it has risen by 5.9 per cent in the first three quarters of the financial year, compared with the target of 5 per cent. This would indicate that the Government is now easily inside the target of 9-13 per cent growth for the full year that was mentioned by Mr Healey in December.

The other main indication from yesterday's figures is that the Government is also well inside its £9,000m ceiling for domestic credit expansion this year. With substantial purchases of foreign currency for the reserves around the turn of the year, DCE will have fallen appreciably more sharply than sterling M3—and probably by enough to leave DCE after nine months of the year at well under £5,000m.

Financial Editor, page 19

MONEY SUPPLY

The following are the figures released for the monthly amount of the money stock, seasonally adjusted at the mid-month make-up date. It is now taken as at the end of the month. UK residents' deposits in other currencies.

	M1 £500m	M3 £500m	Percentage change over 3 months at annual rate	M3 £500m
1976				
Jan	18.3	38.4	4.8	n.a.
Feb	18.9	37.0	2.1	n.a.
March	17.0	37.0	13.3	10.0
April	17.4	37.4	29.6	11.3
May	17.4	37.7	11.6	7.9
June	17.2	37.8	3.6	9.3
July	17.7	38.4	8.3	11.4
Aug	18.0	38.0	16.9	15.1
Sept	17.5	39.0	32.3	20.0
Oct	18.1	40.1	10.1	16.4
Nov	18.3	40.4	7.0	14.4
Dec	18.5	40.2	1.7	4.6
1977				
Jan	18.2	39.6	1.8	-5.0

it-linked finance market

ear unit-linked assurance first time compare to the unit trust sales than direct sales to the public.

released yesterday by Trust Association in an article in the Linked Finance Group show that unit-trust-linked sales for 52 per cent of sales of unit trusts. In 1975, the total was only 36.5 per cent.

of funds linked to unit trusts at the end of the year 7m, or 22.6 per cent of total investment of £30.7m at the end of 1976.

Financial Editor, page 19

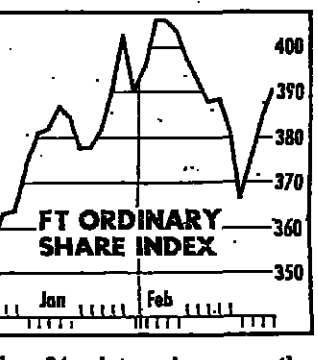
l cuts \$290m of
una obligations

sia has signed a
it with two separate
covering Pertamina
of seven ocean-going
the government
d yesterday. Under the
the ownership
the reduced by
om \$337m (£200m) to

ina, the Indonesian
oil company, is
a number of long-
term charters with
shipping groups because
of irregularities and
is associated with the

xtiles talks

textiles committee is
to be reconvened on
5 to consider whether
the Fibre Arrangement
be renewed or renegoti-



FT ORDINARY
SHARE INDEX

The 24-point gain over the past three days has lifted the FT index to within 10 points of the 400 mark, last achieved on February 4. On January 28 the index broke through the barrier for the first time in more than eight months.

Racial victory
in the battle
for Milgo

Racial Electronics has won its battle for control of Milgo Electronic Corporation of Miami, Florida.

The British company said last night that it now had slightly more than 50 per cent of the Milgo capital. The other bidder for Milgo, Applied Digital Data Systems, has agreed with Racial to extend its exchange offer for Milgo shares until 9.45 am New York time on February 22 to permit further discussions of the ownership and control of Milgo, and the resolution of outstanding disputes between Racial and ADDS. Racial has been told by ADDS that should these discussions not lead to a satisfactory resolution of the situation, ADDS will decide whether to retain its interest in Milgo or to tender its holding of Milgo shares to Racial.

Challenge to rise in lead prices

By Wallace Jackson,
Commodities Editor
A clash developed yesterday between the British Battery Manufacturers' Association and the London Metal Exchange about the recent sharp rise in the price of lead on the LME.

Mr John Ray, managing director of Chloride Europe and chairman of the BBMA, said that there was no evidence, either from consumption or the level of industrial activity, to justify the £100 increase on prices.

Letters had been sent to Mr Fred Wolff, chairman of the LME committee and Sir Peter Carey, Permanent Secretary at the Department of Industry, asking them to recommend the LME and the Bank of England should act to curb speculation and pointing out that this was done in May, 1974, by limiting non-trade activity.

Mr Wolff said a shortage of physical metal, and LME speculative buying, was behind the rise. The rise to over £400 a tonne reflected a shortage of both scrap and primary metal as well as strong buying from the eastern block and the United States.

At the afternoon close cash lead was at £404 a tonne, £16.75 up on the day, and three months was £11 up at £410.50 a tonne.

Fear of haulage
'chaos' after
wages decision

By Christopher Thomas
Mr Booth, Secretary of State for Employment, yesterday accepted a recommendation to abolish the Road Haulage Wages Council, which sets statutory minimum pay rates for 220,000 lorry drivers.

The Road Haulage Association immediately gave warning of "chaotic situations" in industrial relations.

The recommendation was published yesterday by the Advisory, Conciliation and Arbitration Service (Acas), which said the council was no longer necessary to maintain a reasonable standard of remuneration for the workers it covers.

It suggests that the private sector should build on existing local agreements and develop them into joint industrial councils, while a national body should be set up for discussion of matters of common interest.

Acas said in its report that the majority of workers in the industry were covered by voluntary collective agreements and the present bargaining powers of the trade unions were sufficient to maintain an adequate level of pay.

The wages council should not be converted into a national joint industrial council for the industry.

The Road Haulage Association last night said the report virtually dismissed the position of the numerous employees who were not trade union members, and failed to anticipate the chaotic situations which would arise in labour relations under such a system.

US shareholders claim £600,000 from Rank

By Christopher Wilkins
American shareholders in The Rank Organisation have begun legal action against the company seeking nearly £600,000 in damages as a result of the offer for sale of new shares made by Rank in April, 1975.

Rank's annual report reveals that the damages claim has been made by 83 plaintiffs resident in the United States in respect of 15 million shares.

The company notes that it is advised that it has a good defence to the claim, and it has not made any provision for potential liability in its accounts.

Legal action was initiated in the British courts towards the end of last year, but if it is to be fought through the courts at all—which is by no means certain—it is unlikely to be this year.

The dispute has arisen as a result of the exclusion of American shareholders from the £27m offer for sale of shares which was extended to other shareholders in 1975.

In its annual report covering that year Rank stated that it "would have preferred to have made a rights issue to all of its existing shareholders but this was not found practicable."

It said that any issue of shares to North American shareholders would only have been permitted if registration with the American and Canadian shareholders had previously been made.

A thorough examination was undertaken by our professional advisers into the consequences of such a registration and it was reluctantly decided that this would have been too onerous.

"In particular the Organisation would have been required to depart from normal United Kingdom accounting practices adopted over many years."

Financial Editor, page 19

Second coal price rise in autumn hinted

By Roger Violevo
Energy Correspondent
A 15 per cent rise in coal prices from April 1 was confirmed yesterday and the National Coal Board gave a warning that it may have to seek another increase in the autumn to cover the cost of early retirement for miners.

The NCB said the 15 per cent rise would cost all the board's increased cost; provided that early retirement could be financed from increased productivity, now being discussed with the unions.

The size of the increase and the prospect of another rise later in the year provoked a "strong protest" from Sir Arthur Hawkins, the chairman of the Central Electricity Generating Board, the NCB's largest single customer.

In a letter to Sir Derek Ezra, chairman of the NCB, he said the CEGB had been hoping to burn an extra three million tonnes of coal in the coming financial year. "With a 15 per cent price increase, our coal burn is not likely to go up by more than one million tonnes," he said.

As a result of the increase the CEGB, which depends on coal for 75 per cent of its generating capacity, will see its annual coal bill rise by £170m to £1,550m. Electricity boards in England and Wales will have to add about 8 per cent to customers' bills through quarterly increases in the fuel cost adjustment clause in 1977-78, to meet these increased costs.

The coal price increase is also a blow to the British Steel Corporation, whose coal bill last year was slightly less than £280m. ESC said last night that the rise would add about £50m to its annual coal bill. It means that the BSC faces further pressure on its price levels but because of poor market conditions it has been forced to delay increases planned for April until July at the earliest and in some cases has cut prices by offering rebates.

Domestic coal prices will also rise by 15 per cent although summer discount rates will mean that the increases will not be fully implemented until the autumn.

Allied chief spells out £164m investment plan

By Ronald Emiler
Mr Keith Showering, chairman of Allied Breweries, yesterday explained how the company would spend the £164m it has earmarked for investment by the end of next year.

Since this capital expenditure programme was announced last month there has been speculation about how the outlay would be split between the company's divisions.

After the annual meeting in London yesterday, Mr Showering revealed that the United Kingdom brewing division had been allocated £145m, of which £46m, the largest single slice of the programme, will be devoted to building pubs and renovating existing houses and hotels.

Some £31m is devoted to improving and increasing capacity at breweries, notably larger capacity. Mr Showering revealed that this greater emphasis on larger breweries has been put in hand at our Romford brewery.

While all seven of the company's breweries will receive a portion of the outlay it seems clear that Romford, and the largest of the brewing division plants at Burton, will get the lion's share of the £31m.

Mr Showering said that £23m would be spent on casks, fork-lift trucks and other brewery equipment, plus £11m on distribution depots which, he had earlier told shareholders, would help the company in future to avoid the distribution difficulties experienced during last year's record summer. Some £20m is to be spent on developing the group's representation in the free trade market, and a further £14m is being devoted to miscellaneous provisions.

Allied's wine and spirits division has been allocated the remaining £19m of the total capital outlay, Mr Showering said. Of that, £13m would be spent on the British market, while the remainder would help expand overseas interests. Doubtless, a large part of this will be devoted to the development of Teachers' whisky export potential.

Outside the £164m investment programme, Allied's chairman also revealed that the group would invest £23m in expanding its overseas division, including Skol International and the group's interests in the Dutch brewing and soft drinks markets.

Company News, page 20

Lloyds Bank Base Rate

Lloyds Bank announces that with effect from Friday, February 18th, 1977, its Base Rate for lending is reduced to 11½ per cent. The rate of interest on 7-day notice Deposit accounts and savings Bank accounts will be 11½ per cent, a decrease of 1 per cent.

GLYDESDALE BANK LIMITED INTEREST RATES

Glydesdale Bank Limited announces that with effect from 18th February, 1977, its rate for lending is being decreased from 12½ per cent to 11½ per annum.

How the markets moved

Rises	Falls
Banque Paribas 41p to 48p	Burmah Oil 2p to 7 1/2p
Montfort 30p to 27 1/2p	May & Bassett 4p to 6 1/2p
Can & Sheer 21p to 22p	Morris 4p to 15 1/2p
Southam 30p to 30 1/2p	Norwest Holst 4p to 9 1/2p
Fisons 30p to 30 1/2p	
Gresham 30p to 33p	
Hawker Siddeley 30p to 30 1/2p	
Wentworth 30p to 30 1/2p	
Kent 30p to 27p	
Man Agcy, Music 6p to 6 1/2p	

THE POUND

Bank	Bank
Australia 1.61	1.56
Austria 30.50	28.50
Belgium 64.75	61.75
Canada 1.28	1.24
Denmark 10.38	9.98
Finland 6.70	6.45
France 6.72	6.40
Germany 4.37	4.05
Greece 66.75	63.50
Hong Kong 7.70	7.40
Italy 157.00	151.00
Japan 305.00	298.00
Netherlands 4.42	4.20
Norway 9.28	8.82
Portugal 58.00	54.50
S Africa 2.14	1.97
Spain 121.00	112.00
Sweden 7.49	7.14
Switzerland 4.44	4.22
US 1.75	1.70
Yugoslavia 34.20	32.00

Standard Chartered Base Rate

Hill Samuel & Co Limited announce that with effect from Friday, February 18th, 1977, their Base Rate for lending will be decreased from 12½ per cent to 11½ per cent per annum.

Hill Samuel & Co. Limited

100 Wood Street
London EC2P 2AJ
Telephone: 01-628 8011

Standard Chartered Base rate 11½% Deposit rate 8%

Standard Chartered Bank Limited

Standard Chartered Base Rate

Standard Chartered Bank Limited announce that with effect from the close of business on 17th February, 1977, the following annual rates will apply

Standard Chartered Base rate 11½% Deposit rate 8%

Standard Chartered Bank Limited

BY THE FINANCIAL EDITOR

As money supply contracts...

lay's money supply merely served to confirm that we already knew—that the corollary for stabilisation was that the money supply would be posed considerable problem in the resulting movements, internal and

would, of course, argue they have dealt with it in the wrong way and have done far better to let the money supply fall in exchange and/or interest rate movements. But they have, with occasional concessions on interest rate out. They will be hoping for a slightly more period on the front and looking to a government borrowing in the final months financial year to rectify the depression of the aggregates—particularly that the fall in the adjusted M3 of 1.6 is in fact a full 2.3 on an unadjusted

of course, is going to a position of the bank's interest. Yesterday's cut in base rates was prompted by the fact that the money supply had been fairly flat and that the latest figures (to Wednesday) have shown the money supply moving sharply back to "normal". But the figures for the month of January are, of course, first in a series of at least the final limits.

ver else, however, the cuts will be more good the building societies, a third of their deposits in the form of 0.000 and it is these have been losing to the markets in a big way past few months. That may not all return at all authority rates for remain highly competitive but it looks as if it or be long before the are back to a target of around £250m-£300m

hile, it remains to be the Bank will allow move down today. On of it, the formula—obviously call for a half if the bank chose back into force. But be that it will stand the ups and downs ay talks continue.

Organisation longer ice sheet

Organisation's annual of continuing the reducing borrowings salization of property can be done at realistic which would add in of a £400m plus in borrowings in the units. But Bank points the fall in sterling has on for an increase of £52m—reduced since the year end—underlying direction of been downwards.

as dramatic the switch ish flow position has lear from the sources of funds' statement ws that £70.2m out of £78.4m of resources rated from within the including property and posals worth £35.2m) with only £26.3m out of £52.9m the pre-

l, then, net borrowings £302m against shre-holds of £237m, which struck after £156m exchange losses under-ican accounting stand-£8, £10.3m having been to the 1976 profit and unt.

as the non-Bank Xerox picture is concerned, mts confirm how much in trading profits



Sir John Davis, who retires as chairman of the Rank Organisation at the annual meeting to become president: realising property.

from £16.1m to £32.6m depended upon recovery in the industrial and consumer products division for a mere £669,000 to £1.9m—chiefly thanks to a 56m cut in the losses of Rank Radio International.

All the other divisions were showing ahead as well, however. Leisure services and hotels 44 per cent ahead (al-though at £5.7m still below 1972's figure), while property was up by 38 per cent and Butlins by 10 per cent. With the balance sheet evidently moving into a sounder phase that should provide a strong base for the shares which at 177p yield 6.2 per cent and sell at less than 9 times earnings.

Accounts: 1975-76 (1974-75) Capitalization £305m Net assets £237m (£214m) Borrowings £302m (£259m) Pre-tax profit £75.6m (£50.7m) Earnings per share 20.2p (13.9p)

Linked life A saving grace

The linked life assurance industry last year contributed more to the growth of unit trusts than did direct sales of units to the public. Out of total net sales of units of £167m last year no less than 52 per cent came from the sale of assurance contracts linked to units, whereas in 1975 business from this source was only 36 per cent.

There are several reasons for this sudden surge of unit-linked business not least the aggressive and successful marketing of single premium bonds where overall sales (including equity, managed, property and gilt funds as well) doubled last year.

But the fundamental reason is that the unit trust industry is virtually certain to be eclipsed by its own offspring while life assurance contracts continue to enjoy their present tax privileges. Unit trusts themselves are a tax efficient investment vehicle and regular premium bonds combine the tax advantages of unit trusts with the tax advantages built into life assurance.

So professional advisers are increasingly going to include linked life assurance in their repertoire: a move which is actively supported by the unit trust groups with linked life arms. Unit trust investment may be defined as a long-term operation but there is more evidence to suggest that, in fact, unit holders are very volatile investors. Policyholders, on the other hand, are not.

Linked life's share of gross sales has remained constant at around 25 per cent for the past three years. But it is the net

level which counts, and in this context there seems little doubt that if it were not for the stability provided by linked life sales, the unit trust industry would now be in a very parlous position with repurchases exceeding sales.

Indeed, it may not be too far fetched to say that had the industry been publicly in a net redemption position that it fundamentally has been for some months via its direct unit sales, that by now there would have been a run on the industry with all the implications for confidence that this implies. So everyone has reason to be grateful for the growth of linked life assurance.

Coats Patons "Cheaper in the end"

"The balance sheet can stand it" was one of Coats Patons' justifications for going to its bankers yesterday: and undoubtedly the balance sheet can, for all that the impact of currency depreciation has put up the nominal value of overseas borrowings, and working capital requirements have already been rising to reflect the effects of higher costs.

The group takes the view that under these circumstances borrowing provides the best means to expansion and is "cheaper in the end"—a view which, with the shares standing at 65p last night for a p/e ratio of nearly 10, is entirely justifiable.

It has emerged from the great textile recession with one of the best balance sheets in the business—thanks not merely to a strong overseas content, which helped to smooth out the worst aberrations of the home market, but also to an early decision to concentrate on liquidity.

That decision, pursued to the point of cutting out the final dividend for 1974 in the face of massed institutional opposition, left borrowings at the end-1975 balance sheet date almost 40 per cent down on those of the preceding year, at rather less than a third of shareholders' funds. So the fact that Coats Patons is now incurring new borrowings is a sign more for the state of the textile sector than any amount of healthy profit figures from its less conservative competitors.

Standard Trust Still arguing

Standard Trust and the British Rail Pension Funds are still talking about the bid which the latter may make for the former: but the scope for negotiation is growing narrower.

For although the Pension Funds' latest suggestions on terms—a price set at 96 per cent of the bid which the Standard Trust originally offered—a net asset value calculated after the deduction of prior charges at the bid price (as against par originally)—go some way to meeting the original objections of Standard's board, the parties are still a long way from any meeting of the minds on the treatment of contingent liabilities (to capital gains tax and the dollar premium surrender).

The Fund's argument that there is no reason why the company's shareholders should suffer because the Funds want to change the status quo.

And they claim that an estimated price of 137p on the Funds' formula is still 15 per cent below the net asset value of Standard's shares if the status quo is maintained, and that it represents an inadequate reflection of the value of the company's assets to its shareholders. The market last night was valuing them at only 122p, but there are likely to be further developments.

There is an awful lot of solar energy about, a long-awaited Department of Energy report confirms, but much of it will remain very difficult to tap.

Fossil fuels can be regarded as stored solar energy, since they are the accumulated products of prehistoric photosynthesis. The total fossil fuel reserves, which might be used by mankind for a few hundred years, are the equivalent of no more than a few days' sunshine over the earth.

The solar "input" to the earth provides the driving force for wind, waves and rain. Indirectly, the sun is already exploited extensively in agriculture and forestry, in the drying of crops and in the incidental heating of buildings.

The report, which is published today, shows that the problem in any attempt to exploit solar energy is thus not one of developing from scratch an unfamiliar, novel resource, but rather of intercepting and converting a very small fraction of the total radiation before it is dissipated. Only 0.01 per cent of the total would meet the world's present needs.

The United Kingdom receives a surprising amount of solar energy, the report points out. The annual input is about half that of Australia or India, or a third that of the Gulf States (the sunniest part of the world). Expressed another way, it is about 80 times the country's present total energy demand.

Against this, the radiant energy is intermittent and diffuse and is so difficult and expensive to recover.

In the United Kingdom the problems are particularly acute. The wide variations between summer and winter, frequent overcast conditions, and a high population density (which limits the area of land which can be devoted to some methods of solar collection).

Despite these problems, the authors of the report assume that solar energy could make a significant contribution (about 2 per cent of present requirements) within 25 years. This would be "with a minimal dis-

The government is to increase its spending on solar energy research to £6m over the next four years.

Kenneth Owen reports



Two Taiwanese girls put their umbrellas to a novel use; foil-lined it attracts sufficient sunshine to cook rice.

turbance to existing life-styles and institutions."

As the cost of greater disturbance and with vigorous exploitation—and subject to more detailed study—the contribution might conceivably be increased tenfold in the longer term.

Three main routes to the exploitation of solar energy are examined in the report—its collection as heat, its conversion to electricity by photovoltaic action and its conversion to fuel by photosynthesis of "energy crops".

As reported in previous articles in *The Times*, solar heat collectors are commercially available and can contribute usefully to the supply of domestic hot water. Pilot schemes are operating to test and demonstrate the value of solar heating, but standards for defining or measuring the performance of solar water heaters have not yet been established. Widespread use of solar water

heaters could result in savings of up to 25 per cent of present primary energy needs, the report says. But the market penetration rate is likely to be slow until such heaters are cost-effective, which (in general) they are not at present.

As for space heating, the report says that in spite of the unfavourable climate partial if not full solar heating of buildings is technically feasible and could become economic in the future.

The potential savings of primary energy in this area which could result from a combination of measures to reduce heat loss, the use of solar heat collection and better heat management are substantial, since domestic space heating alone accounts for 17 per cent of present primary energy requirements, the report says.

On photovoltaic energy conversion, the report confirms that at present the silicon cell is the most promising device

for converting solar energy into electricity. But, for the economic production of power on a large scale the present manufacturing costs of panels of solar cells are up to 1,000 times too high.

Whether deployed in centralised arrays or at the point of use, the cost target for total systems in the United Kingdom lies in the range 70p to £2.50 per square metre at 1975 prices.

Even if collector costs are eventually reduced, such devices cannot be considered seriously as a prime source of electricity in the United Kingdom for five main reasons, the report says.

First, output is at a maximum during the summer months, when demand is lowest. Secondly, even in summer, conditions in the United Kingdom are such that the output will change very rapidly, because of cloud shading. Thirdly, elaborate control

systems, probably backed by storage and an alternative supply, would therefore be necessary to compensate for the short-term unreliability of the solar input. This would increase the cost of the overall system.

Fourthly, since the supply from photovoltaic devices is not firm, they must be regarded as a way of saving fuel and alternative firm sources would be required. To be acceptable, amortized capital charges must therefore be less than the fuel costs in the alternative, which sets even more stringent cost targets.

Fifthly, a large assembly would need a substantial area of land; collectors providing an electrical output of 1,000 megawatts would cover an area of at least 100 square kilometres.

The most likely application of photovoltaic devices, once they have been developed to make them competitive in cost, the report says, will be in the supply of fairly small amounts of electricity on a local scale.

Finally, the report considers the complex photosynthetic processes of plants, algae and certain bacteria which use solar energy to convert atmospheric carbon dioxide and water into organic matter or biomass. Solar energy is thus stored in the biomass for possible future use.

Food (for human or animal consumption) is one evident use of this stored energy, but there are other ways in which the energy may be used more directly. These range from the traditional burning of wood to a variety of chemical or biological methods for extracting oils, gases or alcohols from the biomass.

The whole "energy crop" concept should be analyzed in more detail, the report concludes.

*Solar energy: its potential contribution within the United Kingdom. Department of Energy, Energy Paper No 16, HMSO, £3.

The author is Technology Correspondent of *The Times*.

Industrial strategy 5: chemicals

North Sea as the catalyst for heavy investment

Mr David Steel, the British Petroleum chairman, surprised many people in the chemical industry (including a number of those within the group's own chemical subsidiary) with his revelations at the end of last month that the group was to spend £2,700m in the United Kingdom over the next five years, with nearly half being spent on chemicals.

But the oil chief's announcement was music to the ears of Mr Eric Varley, Secretary of State for Industry, and cohorts of civil servants at the Department of Industry who have been vigorously pushing for the chemical industry to make a major and tangible contribution to the development of the Government's industrial strategy.

Essentially the Government, and Mr Varley and Mr Wedgwood Benn, his counterpart at the Energy Department, see the chemical industry not only spearheading increased levels of investment, but by taking advantage of feedstock from the North Sea, making a major contribution to the nation's balance of payments through increased exports.

Back in November last year Mr Varley announced the importance attached by Whitehall to the industry's contribution when he told MPs: "This is a great opportunity for our industry and the Government intends to encourage this increased investment and the related downstream developments to provide greater added value in exports and more jobs."

He continued: "It will be in the national interest that the right industrial projects take place at the right sites, on time and on a commercially viable basis... A key factor will be the availability of ethane and other associated heavy natural gases from the North Sea. We see this as a premium feedstock for ethylene manufacture which

could lead to further petrochemical expansion."

At the heart of the Government's policy towards the industry in relation to the industrial strategy is the construction of four new large ethylene crackers in the United Kingdom by 1985—in addition to the one being built by ICI jointly with BP on Teesside which is due to start commissioning at the end of this year or early next year.

Peter Hill

The Government's thinking for petrochemical industry development is based on the availability of secure feedstocks from North Sea oil and gas; a number of attractive coastal sites for petrochemical development and membership of the EEC, which would not only provide an outlet for the production from the projected crackers and their downstream production facilities, but would also (hopefully) attract overseas companies to invest in the United Kingdom.

In its report last year, the Chemical Industry "Little Nedd" (in a report which preceded the flurry of subsequent sector working party reports on various aspects of manufacturing industry) suggested that production of offshore crude oil could provide adequate gas and gas liquids to support between two million and three million tons a year of ethylene capacity. On the basis of high growth estimates at that time (on which chemical industry officials expressed some reservations) European ethylene demand in 1985 was projected at about 28 million tons.

Linked to the Government's aspirations for high levels of output from the four crackers is the possibility of constructing a huge gas gathering

pipeline system drawing supplies from a number of North Sea fields at a cost, estimated a year ago, at about £2,500m. Decisions on this grandiose scheme favoured by the British National Oil Corporation and British Gas are still some way off.

Ethylene is one of the chemical industry's basic building blocks. It is used in about one-third of the petrochemical industry's products and in the United Kingdom and Europe is produced mainly from liquid petroleum feedstock in the form of naphtha or gas oil.

But ethane is widely used as a feedstock for ethylene in the United States and with ample supplies from the North Sea, the Government is anxious to promote ethane-based crackers, although this route has the disadvantage in that it does not produce propylene as a co-product which is another important building block for downstream processing.

There has been considerable scepticism within the industry on the Government's four cracker philosophy not least on the grounds of costs for a massive gas gathering complex and the potential in export markets for ethane based ethylene. Since the Government accepted the high growth projections, European demand forecasts for ethylene in 1985 have been revised downwards to not more than 20 million tons a year.

Within the industry there is now a feeling that if the Government's aspirations are to be met, a case for certainly two additional crackers can be made, possibly with scope for a further two at a later stage but much will depend on the willingness of overseas chemical producers selecting the United Kingdom as a base for their development.

Senior executives within the industry warn of the dangers of the Government and the industry nailing their flags to the mast of the four cracker

concept (at the expense of other developments) particularly since vast slabs of ethylene capacity tend not to be the most profitable elements of investment and are susceptible to over capacity problems.

Another element in the longer term equation must be the ambitious development plans for petrochemical projects among members of the Organisation of Petroleum Exporting Countries from which a considerable volume of exports can be expected.

Dow Chemicals, the American concern, has been carefully looking at building an ethane-based cracker in the United Kingdom, many months while Esso Chemical too, is progressing with plans. BP has indicated that its investment plans provide for a cracker project too (almost

certainly on a partnership basis) but whether there are two, three or four more crackers, industry planners stress that the decision for the fourth need not be taken until about 1981, although trade union leaders and some Whitehall officials are pressing for an earlier commitment.

Meanwhile, within the Nedd framework, a petrochemical working party which brings together existing sector working parties is being established and there is a strong feeling that there is considerable scope for developing the United Kingdom as a location for the production of specialty organic chemicals. At the same time the plastics industry, through its Little Nedd, is looking at the prospects for increased capacity in thermoplastics production.

Profit up
Investment up
Jobs up

Greenall Whitley

Mr. Christopher Hatton reports:

- * Pre-tax profit £8,656,000 (£5,983,000) up 42%. But this only averages 2% over inflation over the past 4 years.
- * Corporation Tax up to £4,020,000 from £2,715,000
- * Retained earnings, to be invested back in the business up to £2,883,000 from £1,682,000
- * The second successive long hot summer resulted in record sales for our beers, our Local Bitter and Grunhalls Lager particularly being in great demand. The quality of our beer has been exceptionally good.
- * We are expanding outside the Group's traditional Northwest trading area, chiefly in the Midlands, Yorkshire, Cumbria and South Scotland.
- * We have budgeted for further growth and sales to date are most encouraging.
- * The wines and spirits, soft drinks, off licence, and hotel divisions of the company have all performed well.
- * We have a healthy cash position as a result of careful financial management and our bank balance moved into surplus during the summer.
- * Planned capital investment over £10m., up 55% on last year's budget.

Greenall Whitley & Co. Ltd.
Wilderspool Brewery, Warrington WA4 6RH
Telephone: Warrington 51234
Brewery since 1762; distillers and wine merchants; Cambrin soft drinks; Compass Hotels; Red Rose Inns and grills; Drove and Winery off licences.

Business Diary: IHA's Kennington • East, west, pounds are best

es to plan today the Houses Association will at Kennington, 45-year-old of corporate finance child, as its new chairman MacDonald, of Hill has completed his two as chairman of the apart from that he important secondment or-general of the Take-el on April 1.

HA, once simply the association for those in what was (once) ng new issue business pted in recent years idened its role so as ne a forum for cor-ncians. As its committee includes nous names from the and merger advice

subscribing to the Wilson committee.

Signatories

Alexander Maslov is back in London at the moment with some thoughts for exporters with eyes on the Russian market and for the Export Credits Guarantee Department.

Maslov was in London for four years up to 1975 as the director of Moscow Narodny Bank responsible for foreign exchange. Since May he is chief foreign manager of Vneshtorgbank the Soviet Bank for Foreign Trade.

He is here at the moment for two signatories, one with Constructors John Brown and the other with Williams and Glyn's Bank, in connection with the same project, a £50m polyethylene plant to be built at Kazan by the former and largely financed by the latter.

Maslov told Business Diary yesterday he was at all keen on the plans of Denis Hesley and the ECGD for persuading the likes of Williams and Glyn's to finance in currencies other than sterling, particularly United States dollars and Deutsche marks.

He saw the scheme raising "additional difficulties" for British exporters to the USSR in formulating the evidence as price or technology.



In for a penny, in for a pound: Williams and Glyn's Tony Killick, CJB's managing director Jack Melbourne and Vneshtorgbank's Alexander Maslov in London yesterday.

The Kazan deal, like most UK-USSR co-operations, is financed in sterling at the behest of the Wilson-Brezhnev trade deal completed two years ago almost to the day. Under this about £1,000m was earmarked for financing sterling deals with the Russians over five years, although with three to go less than a fifth has been used.

ECGD at the Chancellor's bidding would like to see even UK-USSR deals carried out in foreign currencies as interest rates are lower and the burden on the British taxpayer of the resultant credits is less. Customer countries with inflation rates lower than our own

like to borrow sterling and pay back in ever cheaper sterling.

Tony Killick, deputy director of Williams and Glyn's lower national banking division, said he understood the reason behind the pressure from ECGD, but felt there ought to be flexibility where a deal might otherwise be endangered.

Sweet sorrow

Stan Mowatt: we hear, to quit as group managing director of the loss-making Barker & Dobson confectionery and grocery group.

Mowatt who turned to company doctoring after he cut loose from consultancy with Cooper Bros, is to return to consultancy through his own firm, Speechbrook.

He says that he is parting amicably with B & D chairman Ronnie Aitken after staying twice as long as the year he originally planned to spend with the group.

Mowatt, who is 38, joined at a time when it was clear that B & D was heading for big losses and was due to lose both its then chairman and chief executive. The new boy became Group MD in January last year.

He seems unlikely that Mowatt will be replaced. He is confident that B & D can function well under Aitken, who is non-executive, and the directors who head the now much slimmer divisions.

These include Neville Cohen (retail) and Bill Kenyon (confectionery). The retail division's Oakeshotts grocery chain has been pruned by about two-thirds to 40, releasing badly-needed cash.

Mowatt sees a "fairly firm basis for the future" of B & D, which reduced losses in the half-year to October 2 from £1.5m to £609,000.

other than one of his own enterprises.

Deed of title

At a time when there is growing pressure for the abolition of the Upper Chamber there are still trade associations for whom there is nothing quite like a Lord.

John Bellamy, director of the Federation of Wholesale and Industrial Distributors, has stepped down from the presidency—hitherto an internal affair—in favour of a noble outsider.

He is Lord Harman-Nicholls, former Tory MP for Peterborough and junior minister and a director of the family firm of paint wholesalers. Since then, however, it rather looks as if government has stopped listening.

The 22 trade associations in the federation are anxious, for instance, that manufacturers are granted capital allowances by the taxman for new warehouses, but wholesalers are not.

Barclaycard sent a note with a replacement credit card which says: "Thank you for telling us that you have lost your Barclaycard. The old Barclaycard should be destroyed by cutting. Do not attempt to use it."



Rate changes

National Westminster Bank announces that for balances in its books as from and including Friday, 18th February, 1977 its **Base Rate** for lending is reduced from 12½% to 11½% per annum and its **Deposit Rate** on all amounts lodged, subject to seven days' notice of withdrawal, is 8% per annum. **Savings Accounts** will now attract interest at 8% per annum. All other rates remain unchanged.

Midland Bank Base Rate

Midland Bank Limited announces that with effect from February 18th 1977, its **Base Rate** will be 11½%, and that its **Deposit Rate** on amounts lodged at its branches subject to 7 days notice of withdrawal will be 8% on balances of all amounts.



Midland Bank



Courtts & Co.

Courtts & Co. announce that, for balances in their books on and after the 18th February, 1977, and until further notice their **Base Rate** for lending is 11½% per annum. The **Deposit Rate** on all monies subject to seven days' notice of withdrawal is 8% per annum.

The Royal Bank of Scotland INTEREST RATES

The Royal Bank of Scotland Limited announces that with effect from 18th February, 1977, its **Base Rate** for lending is being reduced from 12½% per annum to 11½% per annum. The maximum rate of interest allowed on deposits lodged for a minimum period of seven days or subject to seven days' notice of withdrawal at the London Offices of the Bank will be reduced to 8% per annum.

The Royal Bank of Scotland Limited, Head Office, PO Box 31, 42 St. Andrew Square, Edinburgh, EH2 2YE

Barclays Bank Base Rate

Barclays Bank Limited and Barclays Bank International Limited announce that with effect from the close of business on 18th February, 1977, their **Base Rate** will be decreased from 12½% to 11½% per annum. The basic interest rate for deposits will be decreased by 1% from 9% to 8% per annum.

BARCLAYS

BARCLAYS International

Reg. Office: 54 Lombard Street, EC3P 3AH
Reg. No's 4899 and 196979

FINANCIAL NEWS AND MARKET REPORTS

Stock markets

Bear closing behind a thin rise

Base rate cuts from the clearing banks kept share prices relatively firm in a thin and largely technical day's trading.

With the bears' anxious to close down their positions, the FT index quickly moved ahead and by midday it stood 5.3 higher. The banks' move brought a near three-point gain over the next hour, but thereafter prices drifted and by the close the index was 5.2 up at 390.4.

Gifts were also in a restrained mood and by the close most stocks were at, or just below, their overnight levels. At one stage, shares looked as if they might go easier, but the base rates news brought a touch of firmness and by the close

News of a further delay in the Shipbuilding Nationalization Bill gave a special boost to London & Overseas Freighters and the shares rose 4p to 52p. Its shipbuilding company, Austin & Pickersgill, builds the SD14, which many consider to be Britain's best-ever cargo ship design and for which orders stretch well into the 1980s.

Most prices were little changed. "Lords" opened easier and then went back to all-square. Late in the day, reports of possible trouble in the bread industry brought a precautionary mark-down of one-eighth.

Equity dealers said that after the 24-point rise of the past three days, many shares were looking very tired. It was, they said, another case of over-reaction, this time to the 15-point slump at the start of the week.

The prospect of a further delay in the Nationalization Bill brought a generally firm response from shipbuilding issues. The best gains came from Vosper, up 12p to 89p, Arrow 5p to 17p, Hawley Siddeley 10p to 72p, and the aircraft interest through the aircraft section of the Bill, 8p to 50p, Vickers 5p to 16p and Swan Hunter 31p to 54p.

But two which did not join in the general advance were

Robb Caledon, which lost 2p to 32p, and Hawthorn Leslie, which was unmoved at 30p.

In the financial sector, the clearing banks gained ground as the base rate cuts, the exception being Midland which held steady at 26p.

Of the others National Westminster put on 3p to 22p, Lloyds 4p to 21p ahead of today's figures, and Barclays 5p to 26p. Some of the overseas banking issues were in good form, notably NSW Bank, firmer by 14p to 39p, Anglo-National Bank 5p to 21p, ANZ 3p to 27p, and Standard Chartered 7p to 31p.

Hambros gained 3p to close at 158p.

Lower interest rates gave a boost to the property pitch where Hammam "A" firmed 7p to 37p, Great Portland 4p to 218p and Haslemere 3p to 182p. But the LRC 3p to 57p, and Standard Chartered 7p to 31p, held steady at 26p after its interim statement partly on disappointment on the lack of bid news.

Buildings were another sector to gain strength from interest rate considerations with house-builders Barratt Developments, up 5p to 72p, and particularly prominent. Favourable talk on next week's figures helped Marlow to close 6p ahead at 133p.

On the electrical pitch, Ultra shot up from 75p to over 100p

on speculative interest which was later vindicated by news of an approach. The shares, though easier, still closed 11p to the good at 86p.

Other electricals to gain ground were Baco, now on the last lap of its Milgo takeover battle, 7p up to 28p, Decca better by 13p to 25p, Rayrolle Parsons 8p to 140p, Rank 7p to 177p in front of the report and Thora "A" 6p to 23p. Mentioned here, MK Refrigeration were 4p higher at 74p after figures.

Stock commanding speculative interest included Hms, up 6p to 66p, LRC 3p to 57p, and Braithwaite Engineering where the jump was no less than 30p to 270p. News of a New Zealand stake helped Corn Exchange to rise 8p to 134p, Owen Owen went ahead another 2p to 84p in spite of the bid denial reported here and Stanleys held steady at 28p after news of a counter offer from Greenall Whitley, worth 30p.

In shipplings, Furness Withy were just a penny harder at 23p after news that Euro-Canadian was to cut its stake, while Stag Line was a centre of speculation in interest and jumped 15p to 160p. Manchester Ship put on 20p to 238p after its earlier strong statement.

Textiles had Coats Patrons 13p to the good at 65p after news of a bank loan while Carrington

Viyella continued to reflect its results with another 2p gain to 25p. But Cornhill slipped 2p to 11p after a profits setback.

In farm foods, Associated Dairies were a strong market again, rising 12p to 240p, while

Lawrence Scott, the electrical machinery and control gear group, has been noticeably firm of late, closing at 53p, the 1976-77 stock it is known that for the year to March 31, profits will easily beat the annualized £1.4m profit made in 15 months, but it is also thought by some that one buyer is steadily accumulating his way to a stake of around 10 per cent.

In motors Rolls-Royce added 21p to 64p, on its rise in export orders and Smiths Industries met with investment demand to add 9p to 156p.

After its report, Allied Breweries firmed a point to 63p, while in papers De La Rue gained another 6p to 328p, and W. H. Smith "A" ended 4p better at 358p. The best of stores were Allied Retailers, up 6p to 80p, Suits 5p to 70p, and the clothing group 4p to 62p after Wednesday's meeting. Burton "A" which rose 4p to 63p.

Brokers stole the limelight in insurance with 6p gains from newswire Willis-Towler & Wood, after its shares had performed erratically on the Stock Exchange all day.

They opened at 75p and at one stage reached 105p before falling to close at 84p. Over the last year the shares had traded between a high of 77p and a low of 37p.

The Ultra announcement said the company "has received an approach which may lead to an offer being made for the whole of the issued share capital of the company".

However, a spokesman said that no verbal or written communication had been made but the company had made its announcement on the basis of the erratic movement of the share price. Ultra has no idea of who

Whittingham thinks housing slump over

By Richard Allen

William Whittingham, the long-suffering Wolverhampton house-builder, has dragged himself back into the black at last.

The group whose land-buying spree in the last housing boom nearly brought disaster has turned a £32,000 first half loss into a pre-tax profit of £492,000 in the year to October 31.

Turnover went up 26 per cent at £13.3m, but much more important was the absence of transfers to reserve—£1.4m last year—to compensate for reductions in land values.

Last year's loss was £915,000 and the previous year's deficit amounted to £70,500.

Celebrating the recovery with a return to the dividend lists—the gross payment is 0.65p—the group is confident that the housebuilding recession is over. Meanwhile it has cut debt from around £8m to under £6.5m.

Further land write-downs in one subsidiary resulted in an

£87,000 loss from as

but the group's own

ment and construction

chipped in a £1.4m

Investment income at

to £413,000. The slim

photographic interests

£71,000 against £157,0

year.

Whittingham expects

things on all fronts

current year; and the

which added 4p to ar

ahead of the results

another couple of pence

day.

J. H. Vasseure, whic

its 20 per cent holdi

group down to 12½p a

value when Whiting

into heavy going has

showed no signs of

After tax of £252,000

the previous year's

credit, and the abse

rather below the line p

after the previous

debt, attributable

amounted to £294,000. T

attributable loss amou

£978,000.

Only share swings give clue to Ultra suitor

Ultra Electronics Holdings said last night that it had received a possible bid approach after its shares had performed erratically on the Stock Exchange all day.

They opened at 75p and at one stage reached 105p before falling to close at 84p. Over the last year the shares had traded between a high of 77p and a low of 37p.

The Ultra announcement said the company "has received an approach which may lead to an offer being made for the whole of the issued share capital of the company".

However, a spokesman said that no verbal or written communication had been made but the company had made its announcement on the basis of the erratic movement of the share price. Ultra has no idea of who

is behind the trading

shares.

After losses in the

years from 1969 to 15

group has been recov

the year to March 21

profits rose to £903.3

£554,903, and in the f

of the current year

profits were £524,064.

Ultra has a small iss

capital of four million

and at yesterday's clo

was capitalised at

According to the last

report there were no l

accounting for more

1 per cent of the equi

Among activities are

struction of "Sonob

anti-submarine detecto

are supplied to the

of Defence—and electro

for aircraft and

lines.

Latest dividends

Company	Ord	Year	Pay	Year's	Prev
(and par value)	div	ago	date	total	year
Concorde (10p) Int	0.27	0.25	—	0.8	0.8
Cornhill Dressed (5p) Fin	0.1	0.1	—	0.3	1.12
Corrad-Lilly (5p) Int	0.17	0.17	30/3	—	0.64
BT Investments (25p) Fin	3.75	3.0	7/4	3.75	3.0
Bugod-Pelegrin (10p) Fin	1.35	1.3	7/4	2.72	2.51
Newbold & Burton (25p) Fin	1.43	1.3	5/4	2.5	2.27
Nigerian Elec (10p) Sec Int	6.82	5.2	4/4	11.37	9.75
Norton (25p) Int	0.27	0.27	4/4	—	1.65
River Plate (25p) Fin	5.5	5.5	7/4	5.5	5.5
River Plate & Gen (5p) Fin	3.8	3.35	31/3	5.0	4.45
Bernard Sunley (25p) Int	1.65	1.65	4/4	—	3.94
Telephone & Gen (5p) Fin	5.5	5.1	30/3	8.5	7.0
Temp Investments (10p) Int	0.1	0.1	—	0.2	0.2
Wm Whittingham (12p) Fin	0.42	1.5	31/3	—	3.46
S. W. Wood (20p) Int	1.5	1.5	31/3	—	3.46

Dividends in this table are shown net of tax on pence per share. Elsewhere in Business News dividends are shown on a gross basis. To establish gross multiply the net dividend by 1.54.

Briefly

ECGD-USSR LOAN

Export Credits Guarantee Department has guaranteed a £40.5m loan which Williams & Glyn's Bank arranged with Bank for Foreign Trade of USSR. Loan will help finance contract to Constructors John Brown for high-density polyethylene plant at Kazan. Finance for loan was made available by W. & G. and National Westminster.

RIVER PLATE & GENERAL
Gross revenue for 1976 up from £547,000 to £728,000. Earnings (after tax) rose from £335,000 to £404,000. Second interim dividend of 1.54p and will recommend final of 5.77p, gross, against 5.69p, making 10.54p (7.59p).

WYMAN INVESTMENT
Earnings (after tax) of Wyman Investment rose from £920,000 to £1,235,000 in nine months to January 31. Earnings a share up from 1.06p to 1.45p.

BRITISH-BORNEO
Consolidated Gold Fields' offer for British-Borneo Petroleum Syndicate accepted for 366,412 shares, which with the 1,14m shares already held, represents 39.56 per cent of BBPs.

TEMPLE BAR INV
Gross revenue for 1976 up from £547,000 to £728,000. Earnings (after tax) rose from £335,000 to £404,000. Second interim dividend of 1.54p and will recommend final of 5.77p, gross, against 5.69p, making 10.54p (7.59p).

RIVER & MERCANTILE
Gross revenue of River and Mercantile Trust for 1976 up from £1.6m to £1.79m. Gross payment goes from 9.61p to 10.78p.

RY INVESTMENTS
Pre-tax revenue for 1976 up from £132,000 to £157,000. Gross payment rises from 4.61p to 5.77p.

GRIMSHAW HOLDINGS
Sales for six months to October 31, £1.4m, against previous year's £1.2m. Net profit, £17,000, against a loss of £17,000 after interest of £89,000 (£123,000). Board reports that a comparison is "rather meaningless" thanks to various closures.

E. J. BALDWIN
Turnover for half-year to October 31 up from £725,000 to £764,000. Pre-tax profits up from £53,000 to £59,000.

MK dispenses a cool £2m: more on way

Last summer's heat and cooling drinks did more for MK Refrigeration than even optimists expected.

Months ago this maker of beer dispensing and cooling plant besides commercial refrigeration and air conditioning seemed poised to hoist pre-tax profits from £1.36m to at least £1.8m in the year to October 30.

In fact the tally was a cool £2m. At half-time profits had risen from £436,000 to £750,000. Sales rose by nearly 28 per cent to £12.46m but profits grew faster by nearly 43 per cent.

All this reflected more than last year's summer. MK has finished a cost cutting programme. One aspect was the closing of a Gaskell & Chambers factory and raising output at the other.

Demand is at a new record, and a new expansion programme is under way. Moreover, it is thought that MK already has enough work on hand for this year to equal last year's record profit.

The scope, then, to do much better is huge. A final dividend of 1.36p net takes the total from 2.51p net to 2.72p, or 4.19p gross. The board would have paid out a lot more but for dividend curbs.

Brierley wants more Corn Ex.

The Corn Exchange has been told by Mr R. A. Brierley, chairman of Brierley Investments, a company incorporated in New Zealand, that he has started talks to buy 341,200 (12.3 per cent) Corn Exchange shares. This is the stake now held by Brandts Second Nominees.

If this deal goes through, Brierley and its associated companies would hold just under 20 per cent of the Corn Exchange equity.

Mr Brierley "has not indicated at this stage whether or not he plans a bid for the company" but the shares rose 6p to 134p on the news. A further announcement "will be made" the board receives further relevant information.

Newbold & Burton up to the occasion

The directors of Newbold and Burton Holdings expected good 1976 results. And they got them. Pre-tax profits were a record. They soared from £207,000 to £303,000 on sales up from £5.4m to £6.51m. Raising the gross payment

from 3.5p to 3.85p, the board reports that order books at the start of 1977 were "satisfactory" and there are grounds for reasonable optimism. Newbold makes ladies' footwear.

Sunley recovers but no bid

The shares in Bernard Sunley Investment Trust fell yesterday, not because the group is doing badly, but because there was no sign of Eagle Star renewing its 1973 bid or making a new one (there was a Monopolies Commission reference at the time), or indeed comment on Mr David Jessel succeeding Mr Bill Shinn as deputy chairman.

The trading news, however, is good. The corner has at last been turned after two years in the red. In the half-year to September 30 the group made pre-tax profits of £585,000 against losses of £1.26m for the first half of the year before, and a loss of £489,000 for the whole of that year.

Sir Brian Mountain, chairman, says that the half-year to March 31 next should show pre-tax profits "not less than the first half". Some recovery in the current year will probably reach £5.4m, against £4.8m, but the interim payment is 2.54p gross again.

Net property income went up from £1.52m to £1.58m in the half-year. Before interest were £978,000, compared with losses last time of £156,000.

Fatter margins at Garford-Lilley

A small fall in turnover from £1.66m to £1.58m in the half-year to September 30 did not stop the pre-tax profits of Garford-Lilley Industries from rising from £116,000 to £135,000. Moreover, the board hopes that a good start to 1977-78. Mr Keith Showering, chairman, told the annual meeting that the group is budgeting for a "worthwhile" increase for the full year.

Having turned in pre-tax profits up from £160,2m to £135m for the year to September 5, Allied Breweries now reports a good start to 1977-78. Mr Keith Showering, chairman, told the annual meeting that the group is budgeting for a "worthwhile" increase for the full year.

BAT Industries' philosophy and Bullock report

While shareholders of BAT Industries will be given an indication of prospects for the coming year at the annual meeting in March, Mr Peter Macadam, the new chairman, has introduced a statement of the group's business philosophy into the group accounts.

In its submission to the Bullock Committee, the board saw the main need to be participation in day-to-day issues affecting employees' own work. Legislation should be supportive and not prescriptive, and representations should not be limited to trade union members. Also, companies with big overseas interests should be excluded from legislation requiring compulsory United Kingdom employee representation on the board.

Lon Shop sells shares in Beaumont Props

On Feb 16, London Shop Property Trust sold 1.4m ordinary shares (7.93 per cent) in Beaumont Properties, worth £19,000 at yesterday's close of 65p, up 1p. London Shop is keeping the other 1m ordinary

Greenall goes on with 30p bid for Stanneylands

Undaunted by Associated Leisure's refusal to cooperate, brewer Greenall Whitley, the Viadrav vodka group, is going ahead with an offer of 30p cash for Stanneylands, the Manchester-based hotels and restaurants group. Last week when it first proposed to make an offer, Greenall said that it depended on Associated with 25 per cent of Stanneylands, withdrawing from the scene or accepting Greenall's offer.

Associated decided instead to proceed with its own agreed 25p cash bid.

Meanwhile, late last night a spokesman for Associated claims that another irrevocable acceptance of its offer, from a former Stanneylands director holding almost 4 per cent, gives his group just over 54 per cent of Stanneylands equity.

New Causton block seen as just an investment

A 26 per cent stake in loss-making printing group, Sir Joseph Causton & Sons, has been sold to Mr Christopher Bland, former managing director of Beyer Peacock.

Causton, whose shares added 3p to 8p yesterday on news of the sale by Smith St Aubyn, the discount broker, whose stake in Causton has been reduced to 30 per cent as a result of the transaction.

The value of the deal has not been specified, but Causton, responsible for printing the Stock Exchange daily official list, has a market capitalization of just under £700,000.

Mr Bland, who left Beyer after it was taken over by Saudi Arabian interests last year, is deputy chairman of Independent Broadcasting Authority. He said yesterday that he

had no plans to further shares in Causton was "perfectly happy" to "position". He added: "It is an interesting company which represents a good stood at over £3m last year, made losses of £1m in 1976 and has pre-further "small loss" current year. The St change Council is review presentation of its da

ing contract for the Conchmans subsidiary.

Smith St Aubyn came original 57 per cent Causton when it went rescue of secondary bank castle Securities, in

ing chairman of Smith's night there were no im plans for the remaining cent stake.

Eurocan time limit on Furness sta

By Desmond Quigley

Eurocanadian Shipholdings is to reduce its holding in Furness Withy, the British shipping group, to not more than 10 per cent in the next three years. Mr Hattersley, Secretary of State for Prices and Consumer Protection, announced this yesterday.

Eurocanadian has undertaken neither to increase its holdings in Furness Withy and FW's subsidiary Manchester Liners, nor to exercise more than 10 per cent of the voting rights in FW. Last year Eurocanadian's holding in FW was just over 20 per

Wall Street

[illegible][illegible]

usa expects increase

Lufthansa AG exceeded profit of DM\$3.1m as revenues better than expected 15.4 per cent to the airline says its shareholders.

a added that it could any predictions for 76 turnover figure with DM\$2,000m in 1976 revenues compared to DM\$1,800m in 1975, DM\$78m in transport against and DM100m from ice, against DM\$93m, Jones.

aid Canon Inc

incorporated aspects net profits of about \$1 (about £7.1m) for 3 December 31. This can quadruple the reported for the year on sales exceeding \$67,500,000, a spokesman said, including cameras, ing machines, in- aricularly sharply, for 64 per cent of total sales (57 per ur.

pack

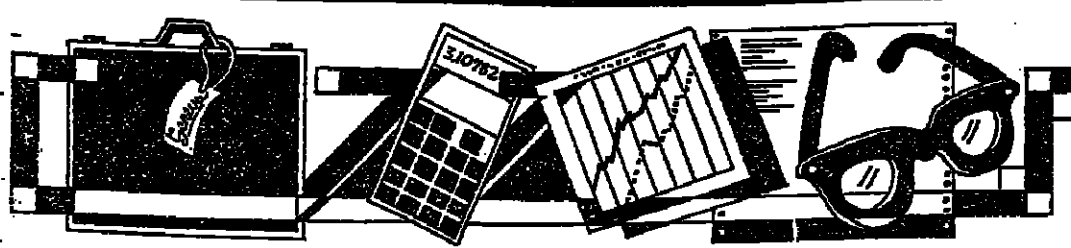
its of Beyer Peacock months to October t the light engineer- spent \$33,000 trying e if ultimately suc- d from National Industries - Saudi company. However, its for the half-year n on sales of £3.7m 9m. Earnings a sharp gain of 0.18p, but s no dividends to sh resources.

Bank Base Rates

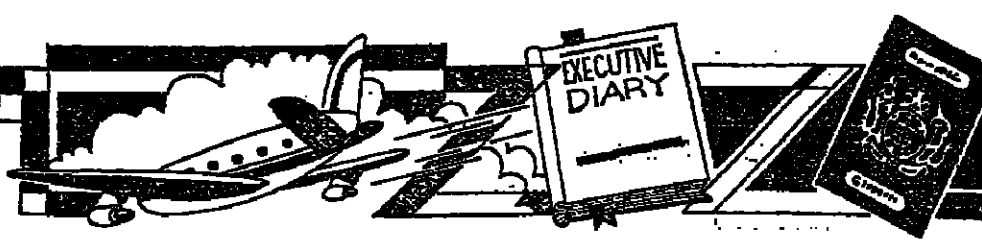
\$ Bank ... 111%	
d Credits .. 121%	
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ster Acc's .. 111%	
Trust ... 14%	
s & Glynn's .. 111%	
deposits on sums f 1 and under 9% .. 110%	
ESB, O.S., n/c, over 1.10% .. 110%	

NIGHTINGALE & CO. LIMITED
needle Street, London EC2R 8HP. Tel: 01-38 8651

Company	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	P/E
Airshiping Ord	117	+1	4.2	12.1	6.9								
Airsprung 181 CULS	117	+1	18.5	15.8									
Airtop & Rhodes	300	-	3.0	10.0									
Deborah Ord	100	-	8.2	8.3	5.0								
Deborah 171 CULS	109	-	17.5	16.1									
Henry Sykes	50	-	2.2	4.4	5.8								
James Burrough	80	+1	6.0	7.5	1.7								
Robert Jenkins	225	-	25.0	11.1	5.0								
Twinklack Ord	58	-	12.0	20.7									
Twinklack ULS	54	-	6.1	11.3	6.8								
Unilock Holdings	53	-	5.8	8.4	7.8								
Walter Alexander	69	-	5.8	8.4	7.8								



£6,000 plus appointments



SECRETARY

CENTRAL AFRICAN POWER CORPORATION ASSISTANT ENGINEER

Research and Development

Eqvivalent to approximately £7,881 to £9,755 per annum

The Corporation, a statutory authority established jointly by Zambia and Rhodesia, owns and operates Kariba South hydro-electric power station and a transmission system centred on Kariba comprising 2,700 km of 330kV transmission line and 12 major substations, and has the above vacancy in the Electrochemical Department, Salisbury.

The duties will include modifications for improving existing equipment and the design of new systems in the fields of power line carrier communications, power system protection, telecontrol and test equipment. Considerable knowledge of electronic and electrical techniques is therefore required with particular emphasis on modern digital electronics.

The minimum qualifications required for the post are those which lead to corporate membership of the IEE (or of the Rhodesia Institution of Engineers). Preference will be given to candidates who can produce evidence of previous similar work and have experience of both light and heavy current electrical engineering.

The Corporation offers the following non-contributory benefits: membership of Medical Aid Scheme, holiday grant, life and accident cover and Provident Fund providing a lump sum payment of 12½% of aggregate basic salary on leaving the Corporation, after 3 years' service rising to 25% after 15 years. Conditions also include 40 working days leave per annum, and travelling expenses and generous allowance for transportation of effects on joining the Corporation.

Applications, which should include full details of education, qualifications, experience, age and marital status, should be addressed to:

The Administrative Officer

CENTRAL AFRICAN POWER CORPORATION

PO BOX 233, LUSAKA, ZAMBIA

The British Government warns UK nationals who take up employment in Rhodesia that: (a) the regime in Rhodesia is an illegal one in rebellion against the Crown; (b) the United Kingdom is not responsible for the actions of the Government in Rhodesia; (c) the United Kingdom has declared a state of emergency and all adult European men resident in Rhodesia are subject to immediate periods of call-up for compulsory service in the armed forces.

Solicitor or Barrister for Paris INTERNATIONAL OIL COMPANY REQUIRES

English barrister or solicitor for its legal department in Paris.

AGE: 28-45.

Good university degree and law school passes.

Correct French, written and spoken at working level.

EXPERIENCE: Not less than four years' practice in at least three of the following aspects of oil industrial legal matters:

Exploration/production, distribution.

Transport by pipelines or tankers.

Drilling, engineering, pipelaying and other contracts.

Crude and product sales.

Participation agreements, joint venture, production sharing/contracts and inter-company agreements.

Financial agreements: those experienced in these will receive preference.

Good remuneration by arrangement, generous fringe benefits and pension.

Only applicants giving availability and full information as above, and present post will be considered.

Applications will be treated in strict confidence; no approach will be made to employer without applicant's consent.

BOX 0511 J, THE TIMES

All recruitment advertisements on this page are open to both male and female applicants.

GOVERNMENT OF KUWAIT THE NATIONAL HOUSING AUTHORITY

Invite applications for

PROJECT MANAGERS AND QUANTITY SURVEYORS

PROJECT MANAGERS:

Qualified Civil Engineers having a minimum of 15 years experience. The Project Managers will be responsible for directing all site supervisory staff on project. 2,000 to 3,000 dwelling units plus all infrastructure and community facilities. Experience should be in housing, preferably in land extensive, suburban type projects such as new town development. They should be completely familiar with all management techniques in the areas of scheduling, quality control, and cost control and have demonstrated capability in leading a multi-disciplinary site staff.

QUANTITY SURVEYORS:

Qualified Quantity Surveyors having a minimum of 10 years of experience responsible to the Project Managers.

Terms of employment would include a 3 year contract and salary and allowances commensurate with experience.

Applicants will be interviewed in the U.K.

Please send your written applications together with curriculum vitae to:

DAK AL-HANDASAH CONSULTANTS,
(SHAIR & PARTNERS)

91 NEW CAVENDISH STREET WIM 2FS

SULTANATE OF OMAN ENGINEERING VACANCIES

A Government Department requires to appoint Engineering Staff. Applications are invited for the following positions:-

WORKSHOP ENGINEER

able to assume full responsibility for all functions of general Engineering Workshops, which will undertake wide variety of repairs in connection with extensive property maintenance, mechanical and electrical services, domestic equipment, TV and Radio, generators, etc.

MECHANICAL ENGINEERS

With extensive maintenance experience, ability to control staff engaged on wide variety of work in residential areas and involving repairs to property, A/C central plants, domestic equipment, mechanical services, generators, etc. Preferably with some electrical experience.

ELECTRICAL ENGINEERS

With extensive maintenance experience, able to control staff engaged on all electrical services to residential areas and involving A/C central plants, domestic equipment, generators, etc. Preferably with some electronic experience.

SENIOR ENGINEER

Preferably with both electrical and mechanical experience. Ideally in connection with all the services provided to a small township and including maintenance of all electrical and mechanical services, sewage treatment plant, water supply, domestic equipment, A/C central plants, generators, etc.

SENIOR ENGINEER

Preferably with both electrical and mechanical experience and maintenance background to undertake responsibility for the control of all mechanical and electrical services in connection with small but important airport and adjacent residential complex. Some electronic experience an advantage.

A/C ENGINEER

With maintenance experience on all types of air conditioning equipment including domestic and package units, chilled water plants, refrigeration, etc. Attractive tax free salaries. Generous leave. Free bachelor accommodation, medical treatment and air passages. Two-year contracts. Full details of education, training, professional qualifications, experience and age should be sent to:

Charles Kendall & Partners Ltd.

7 Albert Court, London SW2 2BT

Envelopes must be marked "REF 77/RA/2" and letters should state which vacancy is applied for. Interviews will be held in London.

FINANCIAL DIRECTOR (designate)/ COMPANY SECRETARY

CONSUMER AND VIDEO HOLDINGS LIMITED, a member of the Pannett Holdings Group, are seeking two exceptional individuals to join their team. The first is a Financial Director (designate) to be based in London. The second is a Company Secretary to be based in London. Both positions require a minimum of 10 years' experience in the relevant field. The Financial Director will be responsible for the complete financial management of the company. The Company Secretary will be responsible for the company's legal and administrative affairs. Applications should be sent to:

GROUP FINANCIAL CONTROLLER,
CONSUMER & VIDEO HOLDINGS LIMITED,
16 THE BROADWAY,
STANMORE, MIDDLESEX HA7 4DW.

Qualified Accountant £9,000 p.a.

EMI are looking for a Qualified Accountant to take up the post of Financial Controller of its project for a new headquarters being erected at Tottenham Court Road.

The successful applicant will be based at Great Russell Street, London, W.C.1 and will report to the Project Director, but with functional responsibility to the Group Treasurer.

Current experience of cost control, preferably with a leading firm of building contractors, together with the ability to work with a professional team of architects, quantity surveyors and others is essential.

A high degree of self-motivation will be required, together with the ability to analyse and report clearly and concisely.

Salary will be around £9,000 per annum, and the duration of the appointment is anticipated to be five years. The post will provide opportunities for further development within the Group.

Please apply in writing to:

E.P. Cowell,
Project Director, EMI Limited,
104, Great Russell Street,
London WC1B 3LF.

All replies will be treated in strict confidence.

International leaders in music, electronics and leisure.

CHIEF EDUCATION OFFICER £13,302-£14,184

The City of Birmingham has a population of over one million and includes a unique variety of industry and commerce within its boundaries.

The Chief Education Officer is responsible to the Education Committee who control the education service, providing some 520 primary, secondary and special schools, with a roll of about 220,000, the City of Birmingham Polytechnic and nine other colleges. The education service employs some 33,000 people (including teachers).

The vacancy is created by the retirement on 30th June 1977 of Mr. K. Brooksbank, D.S.C., M.A., M.Ed.

Telephone 021-235 3748 for application form (to be returned by 8th March 1977) and copy of further particulars; or write to:

City Personnel Officer, Personnel Department,
Snow Hill House, 1 & 19 Barwick Street,
Birmingham B3 2PF

Canvassing will disqualify.

BIRMINGHAM CITY COUNCIL

Appointments Vacant also on pages 18 & 23

PUBLIC AND EDUCATIONAL APPOINTMENTS

Rothamsted Experimental Station

HARPENDEN, HERTS. AL5 2JQ

SCIENTIFIC OFFICER

to work as part of a team on the biology of crop pests with particular reference to all aspects of pest biology, on the effect of pest infestation on crop yield, and on the biology of pest control agents. The successful candidate will be required to work in the laboratory and in the field, and to be able to give a high standard of oral and written presentation. The work involves laboratory and field studies and the recording and analysis of experimental data.

Qualifications: Good Honours Degree or equivalent in Entomology, Zoology or Biology with Zoology.

Appointment in grade of Scientific Officer £22,147 p.a. A supplement of £2,500 p.a. is available for holders of a Ph.D. degree.

Apply in writing to the Secretary, Rothamsted Experimental Station, Harpenden, Herts. AL5 2JQ, and enclosing two references and a copy of your curriculum vitae.

Rothamsted Experimental Station

HARPENDEN, HERTS. AL5 2JQ

BIOLOGIST or CHEMIST

required in the Rothamsted Department to assist with research on the effects of insecticide on crop plants. The successful candidate will be required to work in the laboratory and in the field, and to be able to give a high standard of oral and written presentation. The work involves laboratory and field studies and the recording and analysis of experimental data.

HEADMASTER

ORATORY SCHOOL

Wootton Bassett, Wiltshire

HEADMASTER

ORATORY SCHOOL

Wootton Bassett, Wiltshire

WOODHOUSE GROVE SCHOOL

(Headmaster's Conference ex-Direct Grant)

550 boys including 280 Boarders

BURSAR

Applications: curriculum titles and names of two references to be sent to the Headmaster by 15th March 1977. Further particulars may be obtained from the Headmaster at the School.

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Secretarial and Non-Secretarial also on page 25

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BOOK SELLING

Banking in the Middle East

Still not out of the woods

a Special Report on the money that flows from oil

Blake

financial system an extraordinary pe with the diffi- tly did the of western re- vate bank inter- a little official with the im- blem posed by I price rise that emptation to be- the recycling ve been solved v be forgotten. ough the initial ie switch of re- lly by higher as passed, the- evidence that t- as to cope with the longer-term mplied by the if new centres of ial strength. been one over- r which has pre- wider fantasies about the Orga- traleum Expor- es coming from the oil-producing ve run up much luses then were the time. There t some of the s quoted, which n to \$600,000m 1980, were delib- rations desired ention to a prob- could too easily is not. But- ently were con- imates made at so turned out to

ve been two rea- . The first is that i the West has as of oil and h- limit on price in- s- is t- tially slow start, uers have shown ty to absorb wes- The global im- has been easy to al Opec cur- plus fell from 1974 to \$12,000m i has stayed at riking has been

the change in the share-out of the surplus, which in the immediate aftermath of the oil price rise belonged in part to a wide range of countries. Rising imports in almost all the countries which have large populations mean that the number of nations which have substantial surplus funds has fallen. Only the states of The Gulf, and most notably Saudi Arabia and Kuwait, have emerged as consistent surplus producers.

The difficulty, and the opportunity, of handling these surpluses has fallen largely on the commercial sector. Attempts have been made to set up far greater official systems of support to channel funds from the surplus countries to those nations in deficit, but they have been short lived, have handled only small amounts of money or have failed to get started.

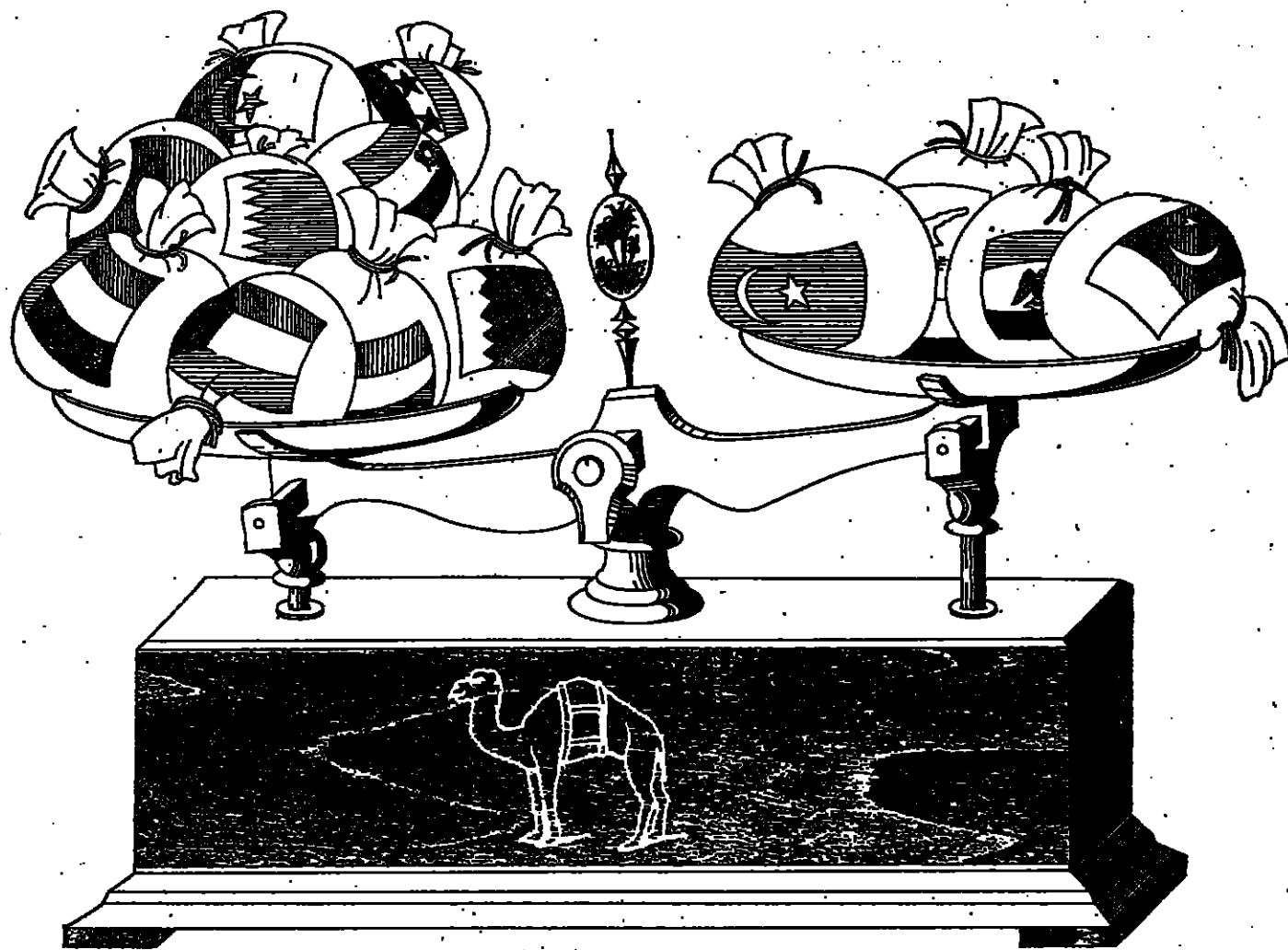
The first effort was the International Monetary Fund's special oil facility, which was set up shortly after the oil crisis and which channelled about £5,000m to 40 countries, including Britain. The oil facility was brought to an end last March. This facility was always seen as a temporary arrangement, providing countries in difficulties with a sort of bridging finance.

As far as official support was concerned, this was a bridge which ended in empty space. For although the IMF is introducing slightly more generous borrowing limits for its members (the quotas as they are technically called) the scale of the increase is small compared to their needs. Nor has that gap been made up by multilateral action in any of the regional groupings either of the industrial or developing worlds.

Both the European Community and the much wider-based Organization for Economic Cooperation and Development have tried to set up schemes to help members in trouble to get access to the large quantities of surplus funds which the oil producers have received. The EEC was given authority by

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its members to raise up to \$3,000m, either through the international capital markets or through direct borrowing from oil-producing countries.

So far it has borrowed only \$1,300m, and there seems to be a striking lack of interest on the part of most EEC members to test the Com-

munity's fund-raising much further.

A much more ambitious scheme was conceived by the OECD, which proposed to set up a \$25,000m safety net to bail out countries facing financial crisis. This scheme was enthusiastically pushed by the United States Govern-

ment in 1975, but Congress has so far refused to approve the scheme.

For the industrialized nations, the failure of these multilateral schemes has on the whole been of only limited importance. There has been a willingness by some of the richer coun-

tries, notably West Germany and the United States, to provide direct bilateral assistance, as with the \$2,000m loan which the Germans provided to Italy against the security of some of that country's gold reserves.

Since any recycling

scheme within the West would in any case have to rely on these strong nations for funds, the impact has not been that great.

But for the non-oil developing countries, the problems have been much more severe. They have no access to pre-

ferential treatment from gov-

ernments in the industrialized West, and little chance of borrowing large sums from any international institutions. Borrowing rights from the IMF are determined by how large a quota a country has, which means that the countries with the biggest borrowing rights are the countries which are large industrial nations.

Because of this, the role which official sources play in the financing of the countries' deficits has declined dramatically in recent years.

In 1971-73 official sources provided two thirds of the financing requirements of developing countries; now the proportion is little more than a half.

In 1974, total Opec investment in the United States accounted for \$12,000m of the total surplus of \$55,000m. Little of this went into shares or other long-term investment. The Opec countries were still unsure about how to deal with their new-found wealth and were unwilling to tie it up in investments where too much depended on the skills of a management which they could not control. Instead, they placed funds in bank deposits and in Treasury bills, which together accounted for \$9,300m.

These two forms of investment provided almost total liquidity with great security, as did the even larger Euro-currency markets, which received \$22,700m. But during the course of the year there were increasing difficulties in the Euromarkets. The well-publicized failure of a German private bank, Herstatt, drew attention to the fact that even banks could go broke.

This tended to make Opec fund-holders concentrate their attention on a few really big banks which were thought to be above reproach. But the more this happened, the more reluctant these banks became to take too big a share of the oil funds in the Euromarket for fear that the banks would find themselves taking in short-term funds and giving out long-term loans, a certain recipe for disaster.

Because of this, there was a sharp drop in the proportion of funds being fed into the Euromarkets in 1975, down from about 40 per cent of the total to less than 30 per cent. Since the total

surplus declined to \$31,700m, the drop in the sum invested was even more remarkable, down to \$9,100m.

But this fall was less striking than the turnaround in the position of Britain, which desperately sought Opec funds in 1974 and was successful in attracting them. In 1974 the financial skill of the City was able to attract \$7,200m, which was heavily invested in government securities, with some investment in equities and property receiving a disproportionate amount of publicity.

That inflow almost stopped in 1975, and by last year there was a heavy flow of funds out of London as the sterling crisis gathered strength. The success story of 1974 had become the sterling balance problem of 1976.

That money overwhelmingly flowed to the United States, which by the first half of 1977 was attracting 43 per cent of all the Opec area surplus, compared with 22 per cent in 1974. Developing countries, on the other hand, received only 17 per cent of the surplus, though this was a far better aid performance than the West had ever been able to manage.

This flow of funds into American capital markets, combined with the continuing borrowing needs of the developing world, has been the prime force pushing up commercial bank lending from \$9,000m in 1973 to an estimated \$21,000m in 1976. It seems certain that the banks will have to go on playing a large role in helping developing countries to cope with their payments deficits, which are running at an average of \$32,000m a year.

But it also seems inevitable that something will have to be done to make the official efforts for financing more effective. Both private banks and the Governor of the Bank of England are clearly thinking along these lines, and there is likely to be a stepping up of activity soon to give the official mechanisms more funds and more credibility. For the problem of recycling the Opec surplus, though not as acute as was once thought, is turning out to be long lasting.

The author is Economics Correspondent, The Times.

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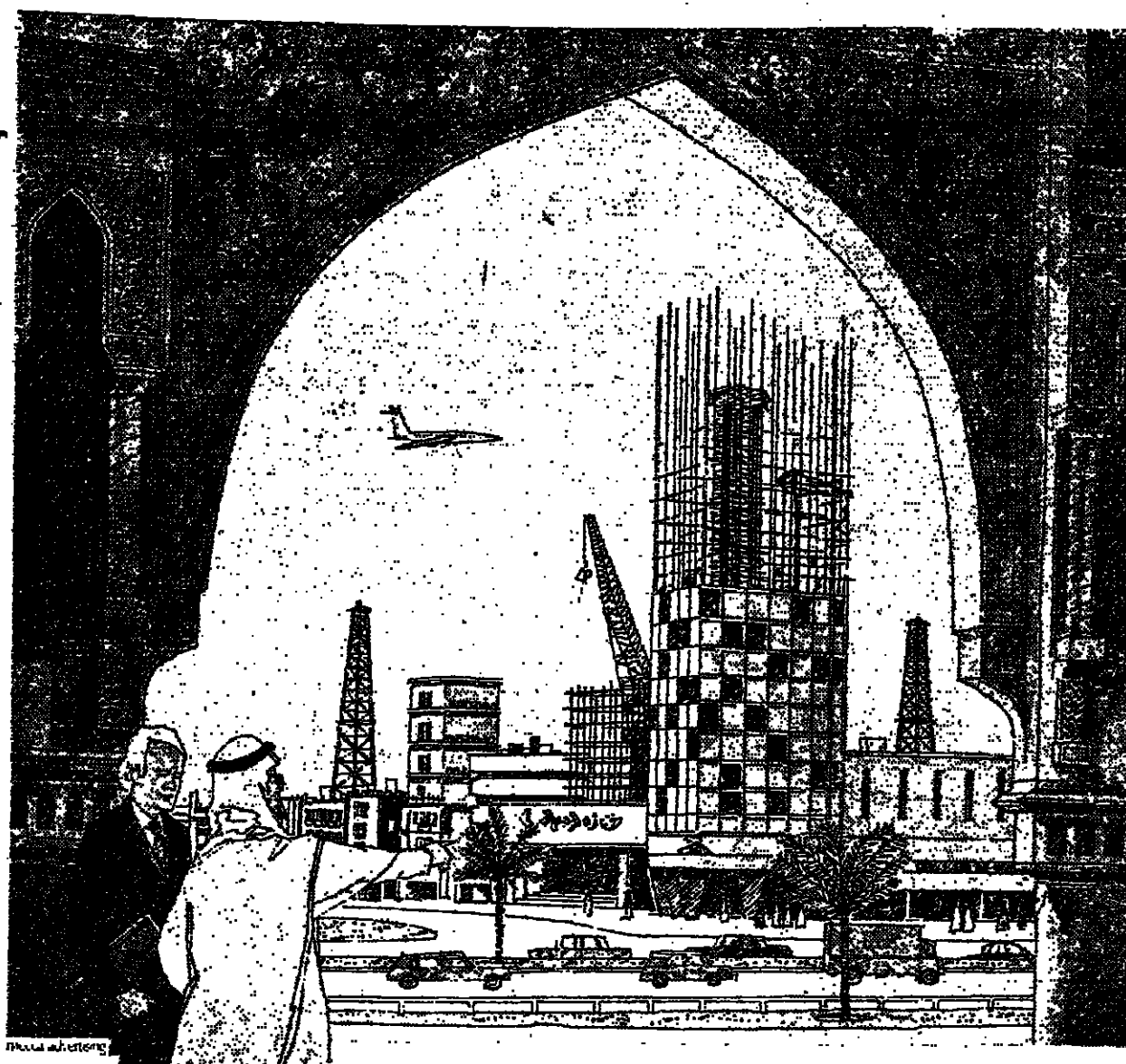
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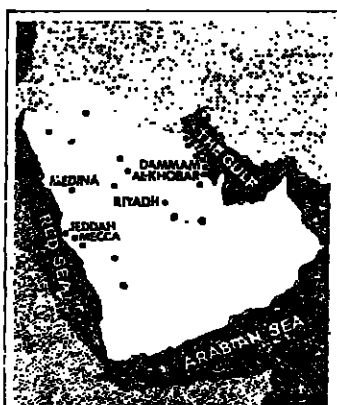


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Increased imports erode surplus cash

by David Blake

By the end of this year, the Opec countries are likely to have foreign assets with a net value of more than \$150,000m. That figure is roughly half the total industrial assets of Britain, and it is increasing at a rate of about \$30,000m a year.

In the three and a half years since the oil price rise, the Opec countries have recorded a financial surplus of more than \$150,000m. Coping with the distribution of assets on this scale is a difficulty that any country would like to have, but it is a difficulty none the less.

After the first year of huge surplus in 1974, increased imports have eaten away at the financial positions of most Opec members. We are left with just the four producers on the Arabian Peninsula in the Gulf as large surplus earners.

The largest of them by far is Saudi Arabia, which by the end of this year is likely to have half of all Opec assets, with Kuwait being the other main surplus country. Qatar and the United Arab Emirates, although they have huge earnings per capita, are smaller.

A combination of necessities and a desire for security have dominated the investment policies of these countries. Although the institutional framework within which they operate is rather different, there have been striking similarities in their investment patterns and in the change in the nature of their investments.

The immediate need in 1974 was to find some kind of home for the increased funds which became available to the surplus countries. Both Kuwait and Saudi Arabia were well placed to do this, since they had established financial arrangements to deal with the admittedly much smaller surpluses which they had recorded in the past.

At that time, much of the money earned by oil exporting countries in the Middle East was paid in sterling and thus automatically tended to be banked in London.

London had another attraction, as a place in which to do business. During the 1960s it had emerged as the unchallenged centre of the huge international capital market known as the Euro-markets, which began by dealing in dollars but which can now provide almost any currency.

During 1974, nearly three-quarters of all the Opec surplus was invested either in Britain or in the Euro-markets. There were more than institutional and historic choices behind this decision, for the two markets also met the prime requirement of the time. What the Opec countries wanted was somewhere to place funds which would be absolutely safe and liquid.

Reluctance to invest in equities

The British market provided something which both those characteristics in the form of British government debt, both short and long term. Since the Government at that time was running a substantial deficit, there was considerable willingness to see the Opec countries invest heavily in the British capital markets. Indeed, the Government at that time encouraged it actively as a way of postponing action to cut down Britain's current account deficit.

During 1974, \$7,200m was placed in Britain by the Opec countries, of which half went into government stock, \$1,700m was placed on deposit in London banks, \$1,200m was made available as loans to Britain and only \$700m went into shares or property.

That unwillingness to invest heavily in the equity market reflected a number of important characteristics in the attitudes of the really big surplus nations within Opec. The first was a realization, which is commoner outside Britain than within it, that sensible investment in industrial corporations automatically leads to great involvement in questions about their running. Since the Opec countries lack the numbers of skilled managers who would be required to do that they tended to stick to straight loans which could be more easily watched.

The second reason was, to some extent at least, sensitivity about the attitudes in countries where investment was made. One or two large property purchases in London provoked considerable publicity and in Germany there was a clear backlash against the sale of stakes in German companies to Arab purchasers.

The Kuwaitis, who have always been aware of the potential for resentment very good foreign aid caused by the sight of huge riches in a few hands, seem to have been particularly cautious about this. They tend to limit their stake in companies to below the 10 per cent limit at which it must be declared under British law.

The mechanism for Kuwait investment in London has long been the Kuwait Investment Office, which channels funds essentially into Britain. But in recent years there has also been a growing role for three institutions in the Eurobond market, the Kuwait Investment Company, the Kuwait Foreign Trading and Contracting Company and the Kuwait International Investment Company. Government policy has been to encourage these institutions to underwrite Eurobond issues, which are then bought up by the Kuwait Finance Ministry.

This policy gives a seemingly greater role to indigenous Kuwaiti institutions than the system adopted by Saudi Arabia, which has always channelled most of its money through the London branches of two American banks, Morgan Guaranty Trust, and Chase Manhattan. From these two institutions it is passed either in government stocks of some kind or on to deposit in other banks.

Apart from Britain, the other great market for readily negotiable commercial paper is New York, and even during 1974 the American market took an even bigger share than did the British. But as time has gone on, this dominance has been dramatically reduced. In 1974, the United States took 22 per cent of all Opec investment; in 1975 it was 32 per cent, and in the first half of 1976 it was 44 per cent.

This increase occurred very largely at the expense of Britain, where there was actually a substantial net disinvestment in 1976 after a standstill in 1975.

Britain curbs role of sterling

The reasons behind the Opec countries' decision are easy to understand, since the value of sterling which they were holding fell dramatically during 1976 as the pound collapsed.

Although there is no strong evidence to support the view that the rundown of sterling balances was the main cause of the pound's decline, the Government has now decided to try to arrange an orderly rundown of the sterling balances by selling sterling currency bonds if possible, or just by borrowing from other industrial central banks if it is not.

That action effectively closes off Britain as a recipient of official holders of sterling, and will tend to push the surplus countries more firmly into the Euro-currency and American markets.

Coupled with the geographical change that this implies is a change in the liquidity of the funds which are held. There has been in the past two years a pronounced shift into longer-term investments, substituting long and medium-term bonds for Treasury bills and bank deposits.

In part this is aimed at getting a better rate of interest. But it also reflects the fact that many banks became decidedly uneasy about having huge quantities of money on deposit in a form where it could easily be withdrawn, while the banks themselves had lent it for a significant period of time.

There have also been signs that some of the heavy surplus countries are investing on a big scale in property where there are few management problems. Apart from Libya and Iran, who are seeking technical assistance as much as a profitable investment, there have not, however, been many ventures into industrial equities. Purchases of Krupp and Fiat shares have been the highly publicized exceptions to the Opec investment pattern.

Raising the status of Opec money

The two most likely new trends in the future involve attempts to bring the Opec countries more into the official flow of funds through the world monetary system rather than relying on commercial banks to act as intermediaries.

One idea which is attracting much attention is that Saudi Arabia might be invited to accept some sort of status within the General Arrangements to Borrow set up by the Group of Ten industrial nations within the IMF. The GAB, which provided funds for Britain's IMF loan, is looking short of cash and there is a suggestion that Saudi Arabia might contribute.

The second suggestion is that the surplus countries ought to lend directly to industrial and developing nations which are in balance of payments difficulties. The really big surplus countries have already established very good foreign aid channels, but there is a growing feeling that there will have to be more action of this kind which involved some kind of direct lending to limit their stake in companies to below the 10 per cent limit at which it must be declared under British law.

Oil exporters emerge as important source of aid

by Rodney Wilson

One of the most remarkable developments in the past few years in foreign aid has been the emergence of alternative sources of finance outside the industrial countries. The Middle East oil-exporting states are the main suppliers of this new finance and collectively they represent more important aid donors than any single source within the western industrial world, apart from the United States.

In the aftermath of the recent recession, assistance from the West to less-developed countries has been accorded an even lower priority than before, as the industrial countries have struggled to put their own economies in order. As a consequence, aid disbursements are now below 0.5 per cent of gross national product in the case of most western nations, including Britain. That is less than half the target set by the committee under the late Lester Pearson which provided the most comprehensive report on this whole question more than seven years ago.

In contrast aid disbursements from the oil surplus states account for up to 5 per cent of gnp, an enormous increase compared with the western figure.

It would be naive, however, to believe that the apparent generosity of the Middle East oil producers springs from primarily altruistic motives, or any genuine idealistic commitment to improving economic conditions in the Third World generally.

Solidarity between the peoples of the Arab oil-exporting countries and their poorer Arab neighbours, for instance, is minimal, and there are sharp conflicts of economic interest despite all the talk of closer cooperation, and even regional integration.

Instead aid flows must be explained in political terms, as the history of the Kuwait Fund for Arab Economic Integration, the longest established aid agency in the Middle East, shows. The fund was set up in 1961 to win friends in Kuwait in the Arab world, and in particular to counter Iraqi territorial claims on its highly valuable oil deposits.

That political objective was achieved at fairly modest cost through the fund, with Kuwait becoming a full member of the Arab League, recognized by everyone as a completely independent sovereign state.

All this does not stop the Kuwait fund from adopting pragmatic techniques for project appraisal, or undermine the professional competence of the staff employed by the fund. Indeed it is important that projects backed by the fund should be successful, otherwise the recipient countries would merely find themselves in serious debt, which would be politically counter-productive.

Aid recipients soon become ungrateful towards donor states if projects do not work out, or the loans are used for purposes which bring little economic return, such as purchase of military equipment. Egypt's strained relations with the Soviet Union over the question of

its debts provide ample illustration of this.

No similar strains exist between Kuwait and Egypt, even though the Kuwait fund has channelled more finance into Egypt than any other single country. Loan repayments have gone smoothly, which is a tribute to the care the Kuwait fund officials took over project selection, in what is probably the most difficult country in the entire Middle East to implement successful schemes.

The Arab conflict with Israel is another factor explaining the growth in Arab aid flows. It generates two types of aid. First, there is assistance to the so-called front line states in the conflict, such as Egypt, Syria and Jordan.

An example of this was the \$1,000m pledged in 1975 by the governments of Saudi Arabia, Kuwait and Qatar for the establishment of an Egyptian armaments industry, although little has been heard of this since. Second, the conflict with Israel affects the pattern of development assistance with respect to non-Arab countries in the Third World.

No doubt subtle influences are at work

During the past two years there has been a growing amount of aid from the Arab oil-exporting countries to the nations of sub-Saharan Africa, in particular, and although the Arabs do not apply direct pressure on these states' voting intentions in the United Nations or elsewhere, there is no doubt that more subtle influences are at work.

Last year more than \$150m, representing 47 per cent of the total lending of the Kuwait fund, went to non-Arab states.

In addition to this lateral lending through the Kuwait fund, there are also multinational Arab institutions specializing in lending outside the Middle East. These include the Arab Bank for Economic Development in Africa, with an authorized capital of \$140m, the Arab Fund for Africa, with capital resources of \$120m, and the more specialized Arab Fund for Technical Assistance in Africa.

A further motive for lending to the Third World by both Arab and non-Arab oil-exporting states is to alleviate some of the hardship caused by the petrol price rises of 1974, which hurt the developing countries much more than the economies of the industrialized West. The Shah of Iran has probably had this in mind, especially with his loans to Pakistan and Egypt.

In the case of the latter most of the funds have gone to help schemes in the Suez Canal area in which Iran has admittedly a vested interest from the point of view of its own maritime trade.

The trade considerations also apply to the large loan promised by the Shah to Turkey for road improvements in the eastern part of the country.

In addition to providing

project finance, Fund for Economic and Social Development technical assistance most useful has been in drawing programme for development in a country has no natural potential other single country Arab world, an easily meet a large import requirements successful schemes.

The Arab fund any team wo other technical e the United Nations Agriculture O (FAO) the World the International Organization (ILO) ing this potent ing how water is improved, and liv crop productio quently increas costs of the prog estimated to be \$4,000m over a period up to 198 which will com consortium of A. al agencies, inc Arab fund itself, private companie Gulf Fisheries o and the Arab Company, whi already participa sugar project in E Lomho.

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The author is a spe the economies of East at Durham Un

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Sign of confidence in the wake of tanks

Christopher

ad the Syrian tanks into Beirut and render to the troubled capital than the tanks began to get business. For the anxious to put the on course again as possible, the re- if the banks was a vote of confidence. move will once use the issue of Beirut. it is hoped it war behind it, likely to make either city a permanent alternative to Beirut since conditions are just not good enough. But others have seen their move in a more permanent light.

First Chicago, for instance, has moved its Middle East and Africa headquarters back to London. Inevitably this means longer, more tedious and more expensive air travel. But this disadvantage is more than made up for by the benefits of more advanced telecommunications and all the trappings—the services of international lawyers and accountants and close proximity to other banks for example—that go along with London's position at the heart of the international banking markets. Air travel to Africa is, in any case, generally much easier from London than from Beirut.

Increasingly, international bankers are finding that it matters less and less for the conduct of their business where their bank is located because communications are so rapid and the worldwide markets have become so interlinked. Much of the money that formerly went into Beirut, for instance, flows with equal ease now into Switzerland, which, in turn, acts as an entrepôt, channeling the money on for investment elsewhere.

For those banks which, unlike First Chicago, do not have to worry about African operations, however, Beirut seems likely still to have a powerful pull. If the facilities necessary to international banking are made available again fairly quickly many could well move their regional offices back in, especially those which have hitherto been active in the Lebanese economy. The problem is that telephone, telex and accounting services are poor or non-existent and much other banks so far opened in Beirut. A Manhattan Bank, America, Citibank and Dominion Bank and

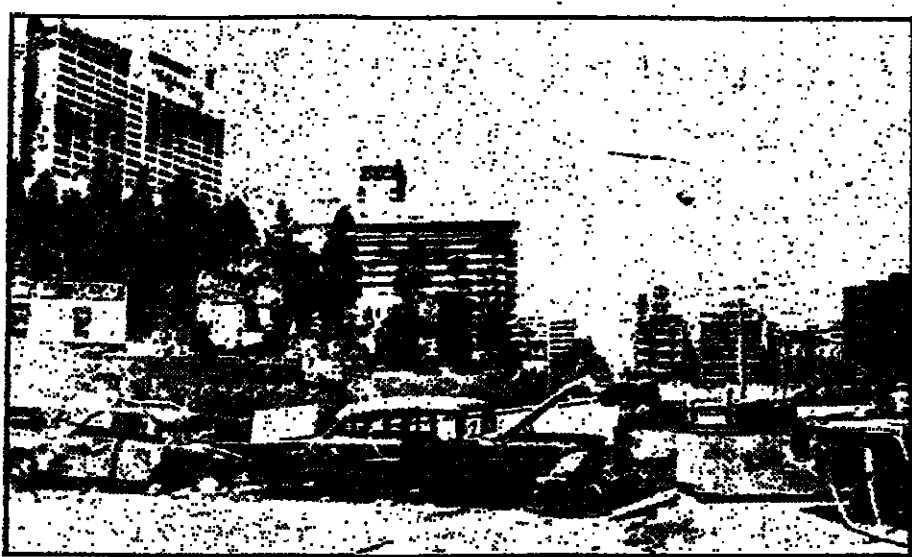
Bank of Nova Scotia. But while the resumption of foreign banking operations at subsidiary branch or representative office level is already encouragingly advanced, the underlying question of Beirut's long-term future remains. Some banks which ran the whole of their Middle Eastern (and in one or two cases African) businesses from Beirut have moved their headquarters elsewhere.

For some the move was only ever viewed as temporary. Those who chose Athens or Cairo seem unlikely to make either city a permanent alternative to Beirut since conditions are just not good enough. But others have seen their move in a more permanent light.

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Barricades in the hotel district of Beirut during the recently ended civil war. Right: devastation shows the extent of the reconstruction problem facing the former business capital of the Middle East.

continue to retain those advantages which made it the financial centre of the Middle East in the past. Its geography and its climate are favourable. It is a fair bet, too, that political stability would see a return of the entertainment and night life which in the past attracted funds and their managers from all over the Middle East.

More fundamentally, Lebanon still has its bank secrecy laws, private numbered accounts on the Swiss pattern and so on. Non-resident deposits in foreign exchange can also be taken in free of charge by Beirut banks.

But those who are looking at Beirut in terms of whether it will again become the undisputed financial centre for the Middle East are probably asking the wrong question. Much has happened since Beirut closed down. The quality of advice given to ultimate holders of funds throughout the Middle East who previously leaned heavily upon Beirut has improved immeasurably in the past two years. Horizons have broadened and there is a much greater awareness of the investment opportunities available around the world.

At the same time other countries have been making undisguised attempts to take on the mantle formerly worn by Beirut. There has been a multiplication of financial centres as banks have been increasingly attracted to places never previously contemplated.

London as the centre of the Eurodollar deposit mar-

ket and, in practice, the place where much international loan business is transacted, remains as much the hub as ever it was. But it is surrounded by an ever-growing number of inter-connected satellites, each playing an important role in servicing its own region.

In this way the traditional intermediating function of banks is being extended so as to cope successfully with the task of channelling vast new financial surpluses to wherever they may be needed around the world. Inevitably the oil price revolution has meant that this process has focused primarily upon the Middle East, and even a revived Beirut will find itself only one among a chain of important financial centres.

Bahrain, perhaps, has taken this process the farthest, although the style of operation is not really comparable to that of Beirut. Its objective has been to attract international banks solely to do offshore business. Called OBU's (Offshore Banking Units) these banks pay a licence fee of \$25,000, but are otherwise encouraged by a liberal regulatory climate on such matters as taxation and reserves.

Communications are excellent, the bureaucracy is relatively unobtrusive, the geographical location is central, and Bahrain's shortage of oil wealth makes it a politically attractive centre for the deposits of some Gulf Arabs who might be reluctant to put them with their other, wealthier neighbours.

Despite a dire shortage

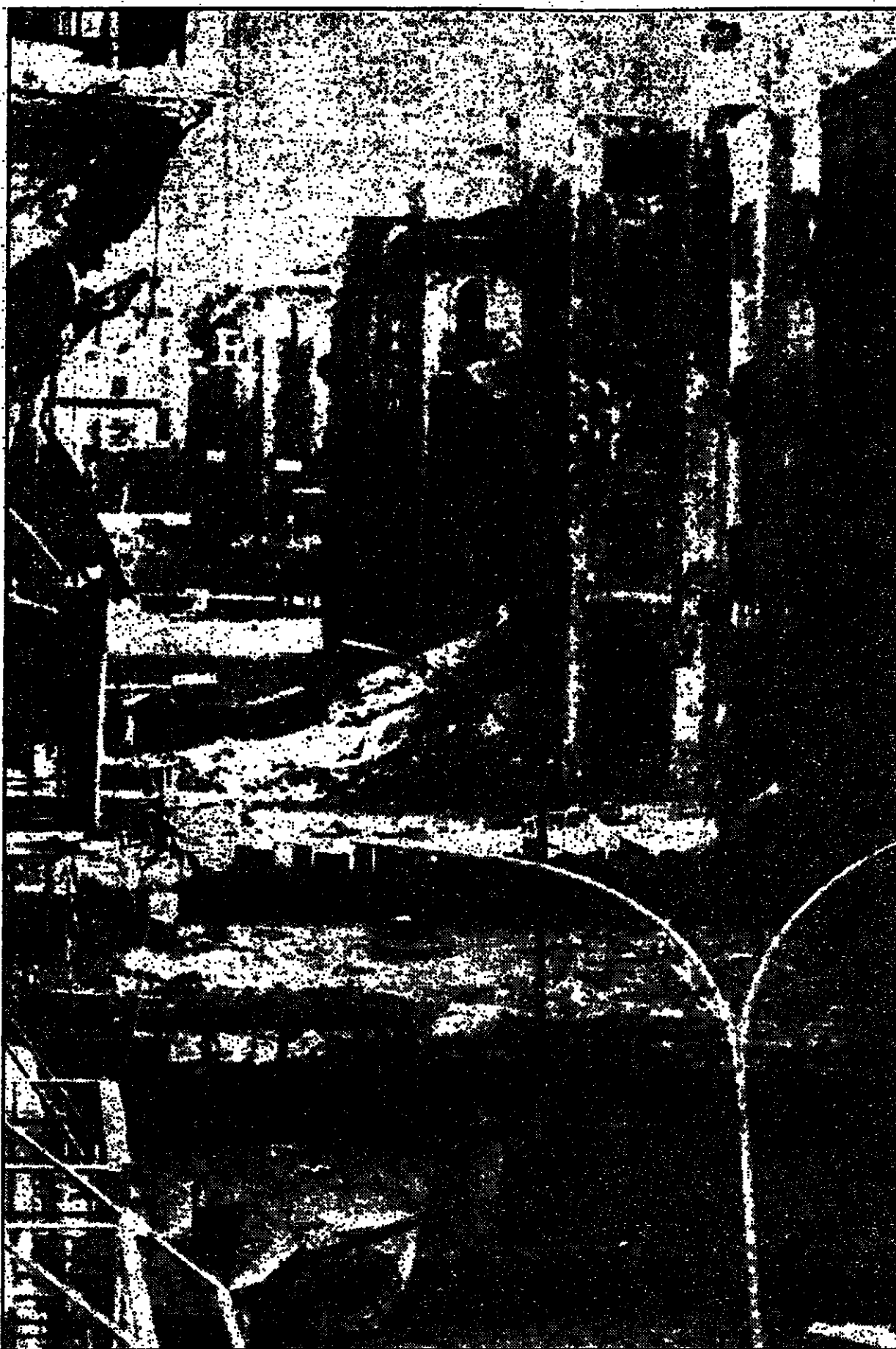
of accommodation—which seems at present to be the main constraint upon the issuing of yet more licences—banks have rushed to take up whatever licences have been available. Foreign exchange brokers have followed. The result has been that, within only 18 months, Bahrain has become a highly active international banking market with deposits at the end of last year which will almost certainly prove to be well in excess of \$5,000m.

International banks have been moving into other Gulf cities as well, but no other centre has made quite the concerted move of Bahrain to take advantage of the banking service requirements arising as a result of the vast new accretions of Middle Eastern wealth.

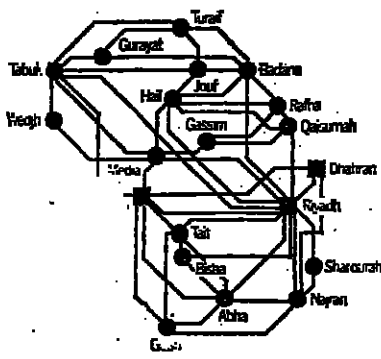
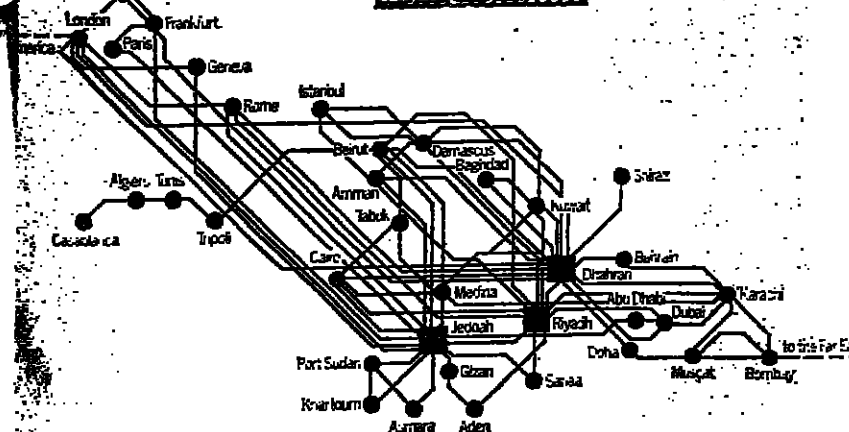
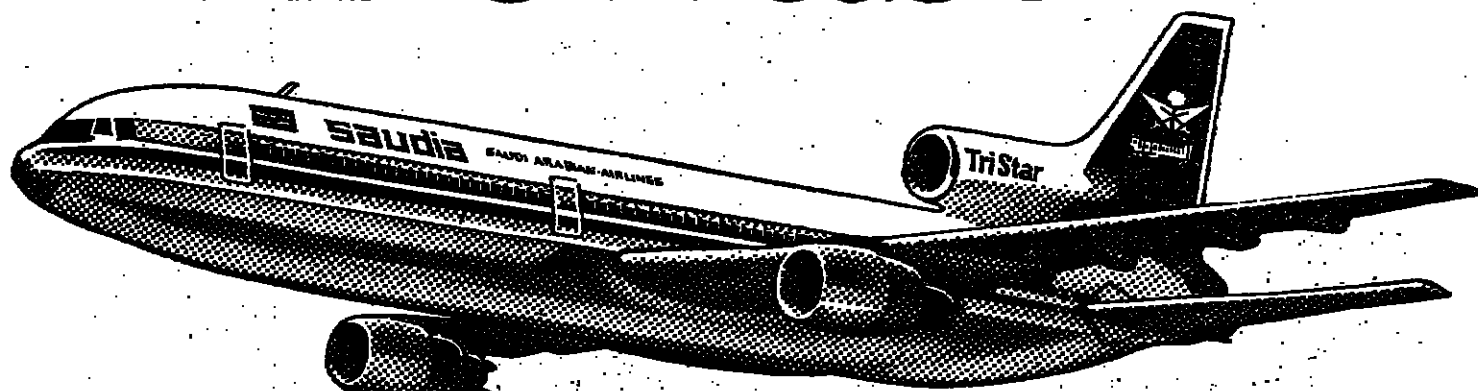
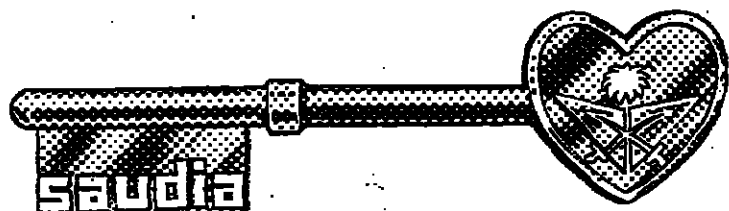
Egypt has been creating a much more favourable climate for foreign banks, re-admitting them under the 1974 "open door" policy. Two types of licences are obtainable, one to engage purely in offshore business and the other, in partnership with local banks, to participate in the domestic markets.

But although foreign banks have been taking up licences, the scale of their activity has not been great. Communications remain wretched, red tape is formidable, the labour laws are a real deterrent and, in the past, there have been serious obstacles to the freedom of currency flows.

The author is Deputy Financial Editor, The Times.



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City skills find role in ambitious financial plans

by Ronald Pullen

It has taken the City of London more than 200 years to establish its position as the leading international financial centre. Paris, Wall Street, Singapore and the other world centres have all reached their particular stations in rather less time, though none can offer the same breadth and depth of financial services that London can.

Now we see the countries of the Middle East—faced not simply with a wish to play some part themselves in recycling their oil surpluses but the need to build up their own financial structure to service ambitious industrialization plans—endeavouring to propel themselves into the front rank in just a few years. If they are to have any chance of success, they will have to learn, heavily importing the City of London has not been slow to recognize this even if it has not blown its own trumpet quite as loudly as the construction industry, for instance.

It would, however, be misleading to suggest that the City was a complete stranger to the Middle East. Merchant banks such as Hambros, Morgan Grenfell and Kleinwort Benson have been quietly developing their Middle East business for the past 15 years. With close links forged in the old days of empire and the sterling area, Middle East countries have tended to turn first of all to London for advice and assistance in setting up their own fledgling financial institutions.

It was an Englishman, for instance, who helped to set up the Bahrain Monetary Authority whose move into offshore banking has been arguably the most exciting financial development in the Middle East recently. Again it was an ex-London Stock Exchange official to whom Kuwait turned six months ago when it decided it wanted to expand its tiny bourse. Until two years ago Abu Dhabi's portfolio investments were managed by Williams and Glyn's, while Barings still help to advise

the Saudi Arabian Monetary Authority investment side.

More recently insurance companies have greatly expanded their operations in the area, money brokers such as R. P. Martin and Marshalls have set up shop in Bahrain; only the major clearing banks appear to have been slower off the mark and then perhaps because banking regulations in the Middle East, especially in relation to retail banking, have tended to circumscribe their spheres of operations.

And news at the end of last year that Barclays had been put on the Arab blacklist will have stunted its emerging ambitions to become a force in the area.

Nevertheless, the Middle East is not altogether the lure it often appears to outsiders. The existence of a large pool of money, which helped in particular to explain the rise of Zürich, for instance, as a financial centre, may be a necessary condition for success but it is hardly a sufficient condition and in many respects the Middle East lacks some of the critical requisites of a financial centre.

Communications in particular are poor except in Bahrain, availability of skilled manpower in the shape of lawyers and accountants is limited, and the Middle East working week runs only from Sunday to Thursday (or Wednesday afternoon when dealing with New York). Then, again, London groups considering setting up in the Middle East have to decide precisely where the base of their operations should be.

Priorities tend to be different

Middle East laws and customs also pose added difficulties for would-be providers of financial services. Muslim law, for instance, frowns upon charging interest, there are those countries which already operate state insurance monopolies while in most states, Kuwait particularly, local partners with 51 per cent controlling interests are the preferred route for importing foreign financial skills.

Equally important, though the Middle East is far from a homogeneous area when it comes to the sort of financial services required, their priorities broadly speaking tend to be rather different from other financial centres. At this stage in their development there is less demand for the sort of complicated project financing that merchant banks for example specialize in. With Arabs still inherently conservative in their investment patterns, funding of loan portfolios long term is still in its infancy though there has been a pronounced shift in the past year or so away from London and New York short-term deposits towards the Eurocurrency markets.

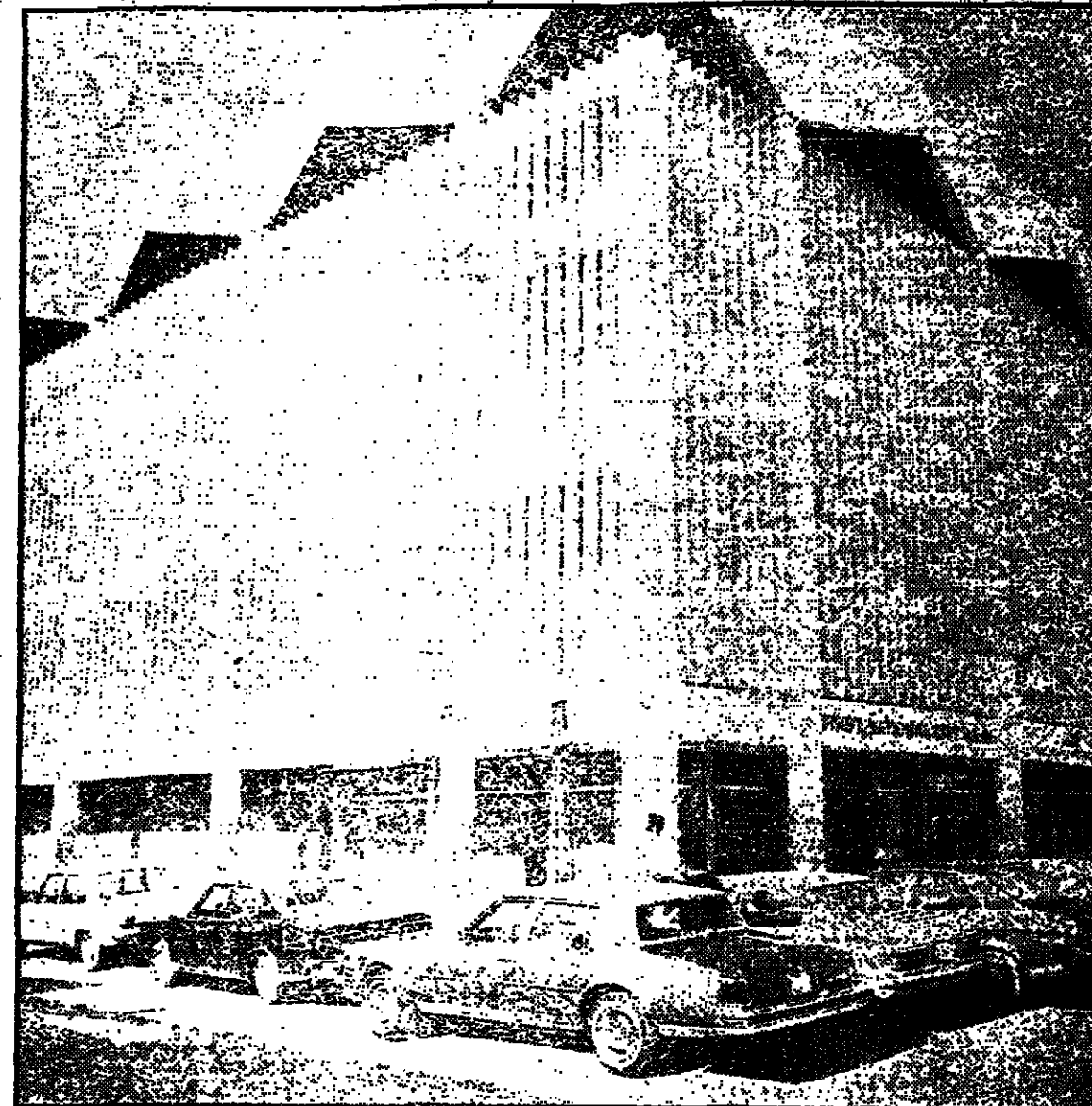
Commercial bank lending, too, is little developed and where it is, is usually in the hands of locally-registered banks. Foreign exchange dealing, however, is fairly near the top of their requirements because of the need to finance an ever-growing volume of imports and the wish to develop, among other things, a forward market in as many Gulf currencies as possible.

To date it has been left to the insurance groups really to occupy their own space on the region chiefly through partnership with local groups. Last year, for example, the Prudential Assurance took a 25 per cent stake in Union Insurance of Dubai which was established in 1974 by local interests in association with British re-insurance brokers Maynard Reeve and Wallace.

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The First National City Bank offices in Bahrain.

The high level of British construction projects in the Middle East has probably given the insurance industry the main stimulus to develop. Along with the normal run of insurance risks—equipment insurance, public liability and employers' liability—the London insurance market's unrivalled experience in risk assessment really comes into its own in the very different conditions prevailing in the Middle East, which has ensured that even when business has been written locally much of it has flowed back to London.

Construction companies in particular have been especially keen to get as much insurance cover as possible to protect themselves against the penal clauses in Middle East contracts against late completion, while chronic port congestion all along the Gulf has boosted import insurance business.

Marine insurance, too, has grown after the Opec countries' decision to operate their own tanker fleet and the Arab world's fast-developing ambitions in other areas of the shipping market.

Laws limit size of loans

Despite its financial ambitions, the Middle East has so far tended to discourage the sort of operations the large international banking groups go in for. In Saudi Arabia, oil revenues are substantial enough to preclude opportunities for medium-term project finance and when it is needed the Government, in the shape of the Saudi Industrial Development Fund, is on hand to provide it at 2 per cent interest.

Further, Saudi banking laws inhibit the size of loans that can be made while the fear of the Saudi authorities of seeing the rial play a role in the international economy has slowed down the development of active foreign exchange markets.

In contrast Kuwait has a fairly well-developed banking system, although local laws allow only Kuwait-owned concerns to operate as commercial banks. Yet even if much of the banking business in Kuwait is closely involved in financing trade, Kuwaiti names have recently started to appear leading and managing Eurodollar issues; and the number of expatriate advisers, many British, at all levels of the banking system from the Central Bank down is testament to the opportunities available.

It has, however, been left to Bahrain to add another dimension to Middle East banking with the establishment of its offshore banking units whose tax advantages have attracted more than 30 takers, including three British clearing banks—Midland, National Westminster and Lloyds.

The growing strength of Bahrain as an international money market is further emphasized by the decision of three money brokers to establish a base of operations there—R. P. Martin, Marshalls and Sarabex.

There is little doubt that in time the Middle East would like to attract more of the bulk chemical and oil markets located in Europe to reinforce its strategy of moving downstream from oil, in that London's commodity dealing skill would be especially welcome.

Opportunities for financial services in the Middle East, therefore, are plentiful, especially for British groups which not only have the reputation of the City of London to fall back on but have a head start from old-established connections. By the same token it is clear that they will need to move at the pace and in the direction the Middle East wants them to go.

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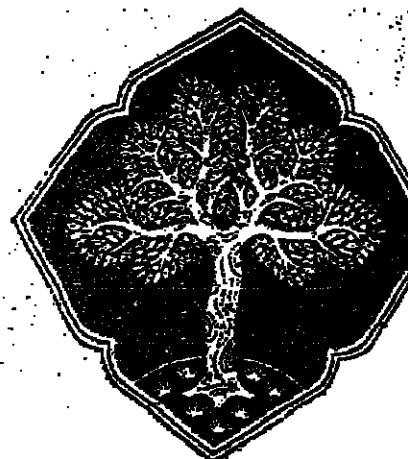
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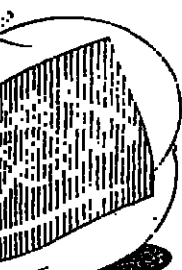
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oil revenue that big will earn be decision to flood massive Opec pro the market is the the domestic eco- Saudi development res quite happily about 3,500,000 oil a day. Shaikh Yaman, the Minister, has in- shat production h 11,800,000 bar- y this year and y be expanded to The only possible of this gift to the near apart from g markets, is that goods imported Arabia may cost That will at least reported inflation. generated within is a more serious over. According ommerce ministry port congestion overloading of in- port facilities add per cent to the cost ported goods. If margins are about er cent, the aver- of many essential items in Saudi

Arabia is more than 50 per cent higher than the whole sale price in the country of origin.

The worst inflation has come in the housing and services. Rents of £20,000 a year for a villa in Jiddah or Riyadh are not uncommon. Hotel and taxi charges are correspondingly high, with £35 to £50 a night being paid for a room acceptable to a foreign businessman, and taxis beginning to cost nearly £2 just to go a few blocks. Hiring a car and driver for the day costs more than £30.

Such ridiculous prices are produced mainly because too much money is chasing too few goods and services, but artificial shortages, especially those created by speculative landlords, have clearly contributed. The Government began to step in last year to limit retail margins and hotel prices, and to tie down rent increases.

A most hopeful piece of legislation, banning the housing of big foreign construction teams from within city limits, is to come into force on March 21. Under it, workforces of more than 50 will have to be housed in camps outside towns. Many foreign companies have wisely done this already.

Because of the rich reported inflation. generated within is a more serious over. According ommerce ministry port congestion overloading of in- port facilities add per cent to the cost ported goods. If margins are about er cent, the aver- of many essential items in Saudi

and services are provided there is an industrial base on which allied private industries can develop. The limit of private sector ambition is likely to be building-block manufacture or, at the most, vehicle assembly.

Long-term private investment is scarce and most of the abundant cash in the hands of private individuals is being absorbed into real estate. From the point of view of curbing inflation there is some virtue in the surge of property speculation, since it does drain some of the liquidity from the economy. But pundits are already predicting a sudden collapse of the property market.

The banking system in Saudi Arabia and the stringent capitalization laws governing the largely undercapitalized banks are doing little to channel funds into long-term investment. Most of the funds are on current or short-term deposit account, cramping the banks' style for long-term lending.

Import financing accounts for most banking activity while the lucrative guaranteeing of bonds for multi-million dollar government contracts is usually beyond the local banks' scope and is taken outside the country to Europe, Japan or the United States.

Local banks mostly have to content themselves with a small fee for giving the business to an approved foreign bank. Many of the managers of the foreign banks in Jiddah are unhappy that no offshore facilities have been encouraged, as in Bahrain and the United Arab Emirates.

The presence of only eight

foreign and no offshore banks is a direct result of the conservative policy of the Saudi Arabian Monetary Agency (SAMA) which acts as the central bank. SAMA is acutely conscious of the imbalance caused by its ever-mounting international reserves, estimated last October at \$26,656m. It is reluctant to allow offshore facilities since it would like to see all financing activity concentrating on development within the country.

However, SAMA officials deny that its policy is totally inward-looking. Two years ago there were 12 commercial banks operating in Saudi Arabia, of which only two, the National Commercial Bank and the Riyad Bank, were 100 per cent Saudi, the rest being 100 per cent foreign owned.

In July, 1975, the first of the foreign banks, the National Bank of Pakistan, became 60 per cent Saudi owned, changing its name to the Bank al-Jazira, but with the NBP retaining a 40 per cent share and the overall management contract. Last December the Algemene Bank Nederland retained a 40 per cent share and an eight-year management contract when a government decree changed its name to al-Bank al-Saudi al-Hollandi preserving 50 per cent Saudi ownership.

This disadvantage to the foreign bank of being "Saudi-ized" is purely one of profits: the advantage is the opportunity enjoyed by the new Saudi bank to open more branches in the country while retaining a useful relationship with its original foreign parent. Foreign banks are generally confined to Jiddah, although

Citibank has a branch in Riyadh and the Algemene Bank and the British Bank of the Middle East have branches in Dammam and elsewhere.

Of the eight foreign banks remaining in Saudi Arabia, at least one, the British Bank of the Middle East, is talking about Saudization; but according to SAMA sources, Saudization is likely to stop when the ratio of Saudi banks to foreign ones is more even.

The 12 banks on their own could not cope with the enormous growth of the Saudi economy without the parallel services offered by the money changers and finance companies. The money changers enjoy almost as much business as the banks without being hampered by the capitalization requirements of the banking law. Because of their existence outside SAMA's jurisdiction it is difficult to get a picture of the banking scene simply from an account of transactions through SAMA and the commercial banks.

The ratio between bank clearings and money supply is only 20 per cent in Saudi Arabia, compared with 140 per cent in the United States and 100 per cent in West Germany. So while the Saudi banking sector seems characterized by the conservative policies of SAMA, there are many developments beyond its control. Commercial bankers themselves have no clear view of where the Saudi Arabian Monetary Agency is taking Saudi banking.

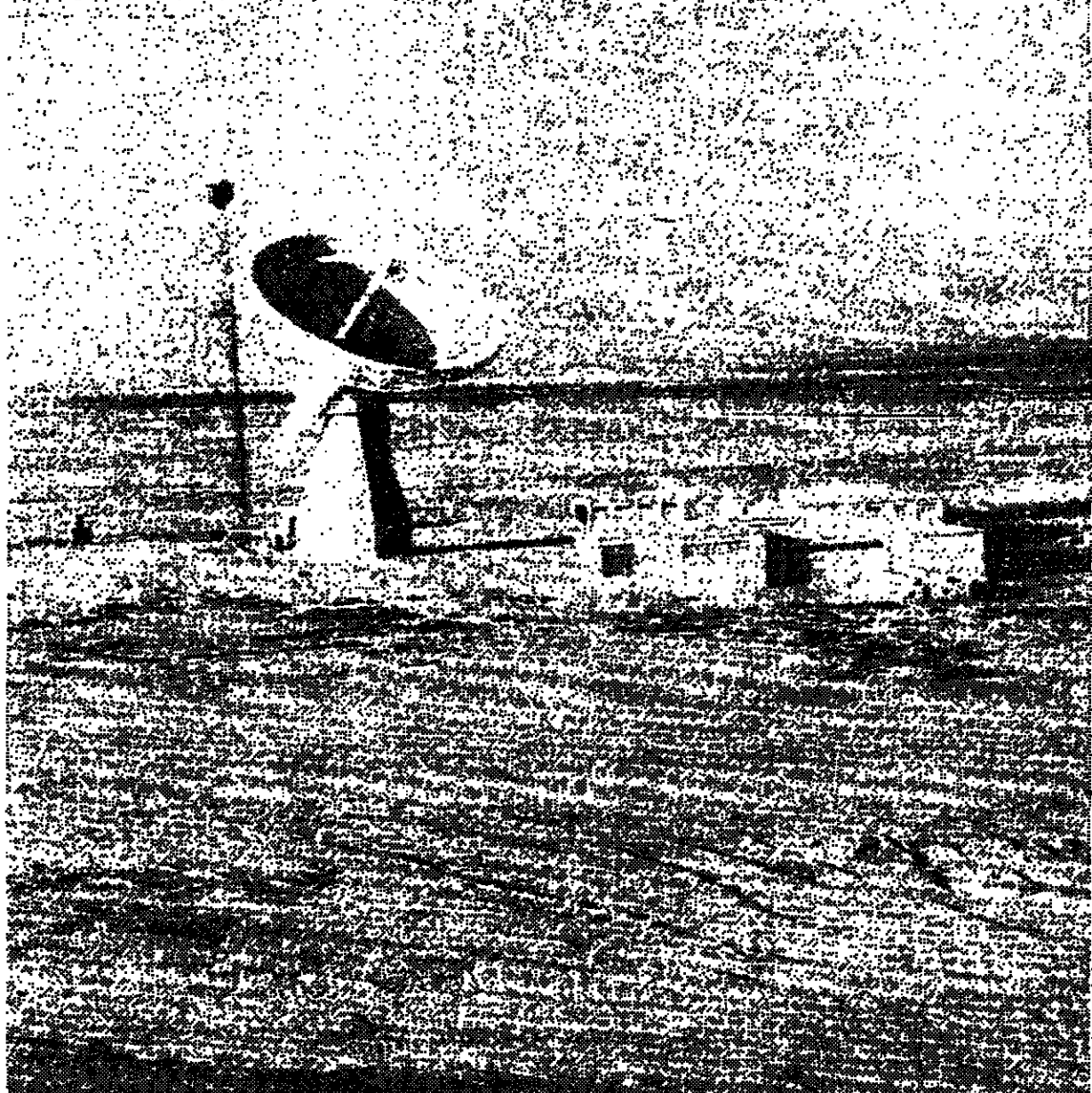
The author is on the staff of the Middle East Economic Digest.

Bahrain: the communications centre of the Middle East

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Largest share of revenue earmarked for heavy industry

the two operating companies between which it is divided almost equally have been wholly state-owned since the end of last year.

Huge resources of natural gas, underpin the industrial strategy, but Qatar's strategy faces the same manpower problem faced by other Opec states.

Qatar's population is less than a quarter of a million. Most are expatriates, whether Europeans in technical and managerial posts, or Iranians, Indians and Pakistanis in less skilled roles.

The small barren peninsula cannot naturally feed a population of even this size and many foods and most other consumer requirements are imported at soaring prices.

Oil has been exported since 1949, and the half million barrels a day ceiling on offshore is a preservation measure. The Government and Qatar Petroleum, the onshore producer, have

reached agreement on the state's takeover of the remaining 40 per cent foreign stake which had been held by BP, Shell, Compagnie Francaise des Petroles and a number of American interests, under the terms of which Qatar Petroleum will continue to operate the Dukhan field for a service fee of 15 cents a barrel. Final agreement between the Government and Shell Company of Qatar, the offshore producer, was announced last week.

Oil exports of about half a million barrels a day has generated an income of roughly \$2,000m or slightly less in the past two years, of which half has been earmarked for capital expenditure, mostly on heavy industry in 1976. At the industrial township of Umm Said a large fertilizer complex has been in operation since 1973, producing 1,900 tonnes a day of ammonia and urea from natural gas from the offshore fields. Financed

originally by a number of British banks led by Hambros, the fertilizer plant is undergoing extensions which will double its capacity.

Early in 1975 the second gas-fuelled plant at Umm Said was opened using petroleum associated gases from the onshore fields. Under a long-term contract Japan buys the natural gas liquid plant's total output of 400,000 tonnes a year of propane and 250,000 tonnes a year of butane, but because of a dispute between the oil company and the Government in 1975, oil output and thus gas flow fell by half for a spell, illustrating the perils of oil and gas-based diversification.

A third petrochemical venture using ethane produced at the existing NGL plant is going ahead however as part of a joint venture between the state-owned Qatar General Petroleum Corporation and Charbonnages de France which embraces both the Umm Said polyethylene plant and a twin complex in France which will receive Qatari finance. Both are to open early next year.

Shell Gas International and QGPC came together in 1974 to form the Qatar Gas Company with 30 per cent and 70 per cent shares respectively to open a second NGL plant using petroleum associated gases from the offshore fields and subsequently handling plant on the north coast of the peninsula to harness the same fields' reserves of non-associated gas. Because of the takeover dispute, however, it is not immediately clear what the fate of these projects will be.

The Government is reported to have asked Shell to give up its 30 per cent of Qatar Gas.

The Qatar General Petroleum Corporation was also created in 1974 to run the Government's stake in a range of projects at home and abroad on commercial lines independently of the Ministry of Finance and Petroleum. It has found that its main task is to train Qataris for oil industry and other technical posts. Outside oil and gas, the main industrial venture of the day is the 400,000 tonnes a year iron and steel plant under construction by Japanese concerns at Umm Said Plans for an aluminium smelter and large export refinery have been deferred because of the lack of trained manpower.

There are no rivers or resources of surface water of any kind on the peninsula. Qatar has never recorded an average annual rainfall of more than 80mm, in comparison with 300mm in an average year in the Sahara Desert. Whereas fishing has always been an important local industry and considerable quantities of shrimps have been exported to Japan and the United States from the well-equipped national fishing company, agriculture is a livelihood supported only a tiny proportion of the population before the 1960s.

With a more complicated life style, better dietary

habits, rising purchasing power and the influence of expatriates, however, it became feasible to pump cash into agriculture in the form of free services, seeds, insecticides, fertilizers and advice. As a result, the number of individuals employed solely in farming has trebled since 1960 to reach 10 per cent of the population. Vegetable production was 200 tons in 1960 and 20,000 tons in 1970.

Expenditure on social services and public utilities, including low-cost houses, education, health, and electricity but excluding development such as roads and communications amounted to rather more than 12,600m rials in 1976 or \$3,000m, which if the population is 200,000 works out at roughly \$1,500 a head.

Like its neighbours Qatar disburse aid to foreign governments but on an ad hoc basis rather than through an established fund, except in the case of Egypt where Qatar is committed to a number of inter-Arab schemes.

Ploughing oil revenue into heavy industry, petrochemicals, producing exportable products, can succeed and in the case of the existing factories is succeeding as long as neither the supply of raw materials which fuels these industries nor the supply of foreign workers to run them becomes a political issue.

The training of skilled Qatar manpower will in time alleviate the situation and is taken very seriously but for the moment the presence of large numbers of foreigners in the peninsula is not causing resentment or political upsets.

Until independence in 1971 the banking community consisted only of the Arab Bank and the three British concerns traditionally represented in the region, the British Bank of the Middle East, Grindlays and Chartered. Their main activity was financing import trade. Today the total is 12 banks, three of them British, three Arab and one each from the United States, France, Iran and Pakistan. Trade financing continues side by side with lending to property and land development. Most credit is still advanced in the form of simple overdrafts to individuals.

More than a third of the total banking business has been captured by the Qatar National Bank, which enjoys strong government encouragement, and acts in some ways, particularly in inter-bank transactions and foreign exchange, as the central bank.

The Qatar Monetary Agency concerns itself with the issuing of currency and the fixing of maximum lending rates, at present 9.5 per cent. In the latter half of 1976 the Qatari rial joined the Bahraini dinar and the United Arab Emirates dirham in the travellers' reciprocity scheme under which any of the three currencies can be used in any of the states up to maximum of \$125 a time.

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How to cope when the oil runs out

centre rather more than a year ago was a move calculated to boost employment not only in the banking sector but to create jobs directly in the auxiliary professions such as accountancy and the law and indirectly to allow service industries and retailing in general to expand.

Construction and property have benefited hugely from the boom conditions prevalent in all the Gulf littoral, and capacity in this respect is severely strained at present.

Before the Second World War, however, Bahrain grew rich on oil, one of the first Middle Eastern countries to do so. Production reached its peak of about 70,000 barrels per day in 1972 and has since been declining, reaching an average of 59,000 bpd at the end of 1976.

The only large export refinery at the Arabian side of the Gulf is on Sitra Island, where well over half the total 300,000 bpd throughput is piped from the neighbouring Dammam fields in Saudi Arabia.

That is one of several examples of how Bahrain benefits from its proximity to Saudi Arabia and specifically to Saudi Arabia's developing eastern province. The very large Saudi natural gas reserves at Khuff were near to be exploited to supply cheap fuel to the energy-intensive Aluminium Bahrain (Alba) smelter.

Alba exceeded its rated target output in 1976 by producing a record 122,000 tons. The Gulf's largest existing industrial venture, Alba employs 2,000 people, more than 90 per cent of them Bahrainis, and the related extrusion plant due for completion next year will create still more jobs.

The 1977 budget released last month showed a deficit for the second year running of BD14m. Oil revenue for 1977 is projected at BD235.5m (£236.5m) and expenditure at BD249.5m (£250.5m).

Bahrain has long been a recipient of aid from other Arab oil-exporting states: aid amounted to 5 per cent of the budget last year. Many of the island's schools and medical facilities are financed by the Kuwait Technical Office, the Sitra power generation and desalination plant is being paid for in part by the Abu Dhabi Fund and the proposed causeway to Saudi Arabia is to be financed in its entirety by Saudi Arabia if it goes ahead. Bahrain's largest current project, the dry dock, is an OAFEC venture.

It was against this background that the Bahrain Monetary Agency (BMA) took the decision to invite the world's largest banks to establish offshore units on the island to obtain maximum support from the surplus-revenue states in the vicinity.

Landlords were the first Bahrainis to benefit from the arrival of the bankers, who found themselves in the position of having to pay for about BD15,000 (£15,500) a year for a three-bedroom house in addition to BD8 (£11.50) a sq ft for office space. An hotel room is not to be had for less than BD40

a night and is frequently not to be had at all because of the desperate shortage of accommodation, which is probably the single most important factor inhibiting Bahrain's economic growth today.

The construction of new office buildings, hotels and housing has created a large number of jobs but the construction industry distorts the longer-term picture of the employment situation.

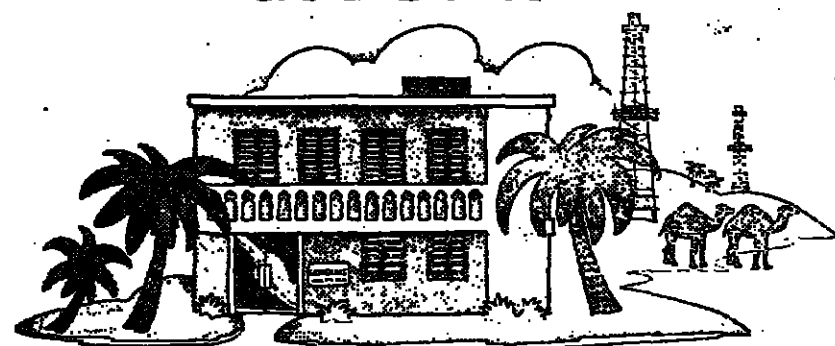
All the managers and deal-makers who are employed by Citibank, are expatriates. Bahrainis are however, being recruited and trained conscientiously by the banks, and the BMA has expressed its wish to see Bahraini dealers operating within five years.

Apart from its principal international function of channelling liquidity from the surplus revenue countries in the region, the offshore banking unit concept is designed also to develop and improve financial skill at home.

Onshore bank transactions have been characterized by wide spreads and high interest rates on local Gulf currencies—a result of rapid outflows of these funds to other world centres and to some extent of the banks' deep involvement with property.

Now the example of and the competition from large international banks operating offshore is starting to bring down spreads and to improve techniques in general. It was partly with this end in view that the BMA limited offshore licences to "quality" names and partly

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Racial harmony is key to success

mountable fact, enacting complex legislation to control immigration side by side with large labour-intensive projects requiring yet more immigrant workers. Sooner or later the dichotomy will have to be resolved either by choosing free immigration, plentiful cheap labour and the luxury of duplicated projects, or tight controls on immigration, higher labour costs and effective economic planning.

Although three of the emirates, Abu Dhabi, Dubai and Sharjah, are oil exporters and the other four are at varying stages of oil exploration, Abu Dhabi is the only emirate enjoying surplus revenue. Oil output of about 1,600,000 barrels per day last year is apparently to be increased this year in line with Saudi Arabia.

The two main operating companies are the Abu Dhabi Petroleum Co (ADPC), which has BP, Shell, Compagnie Française des Pétroles (CFPP) and American shareholders, and the Abu Dhabi Marine Authority (ADMA), which is a BP and Japanese concern.

They are 50 per cent owned by the Abu Dhabi National Oil Company (ADNOC) which, under the direction of Mr Mahmoud Krouha, of Algeria's Sonatrach organization, has become an umbrella for many industrial ventures in the public sector. Apart from a small domestic refinery opened last year, Abu Dhabi's first large industrial plant is due to start operating this month on Das Island, where two million tonnes a



Mr Manna Saeed al-Oteiba, Minister of Petroleum and Mineral Resources for the United Arab Emirates, taking recreation.

year of liquefied natural gas will be processed for export to Japan.

Onshore a giant industrial city is planned for the Ruwais area on the coast, the cornerstone of which will be a petrochemical plant using gas from the three onshore oilfields, followed by other heavy industries. A total investment of \$6,000m to \$7,000m on Ruwais is envisaged over the next five years or so.

Little enthusiasm for private industrial enterprise has been shown by the Abu Dhabi commercial families to date.

Income from property, with rents at 100,000 dirhams a year for a three-bedroom house, is excessively attractive in a country where only citizens—a small minority of the population—are permitted to own land. Construction has long absorbed the largest proportion of bank lending and it is believed that several of the new locally-incorporated banks established since the 1975 moratorium on new foreign banks are heavily committed to property.

A close second is retailing: a merchant will collect many agencies and add very large mark-ups to the imported goods in a country where nearly all consumer requirements are imported.

Late in 1975, as one of a series of moves designed to improve the federation's internal prestige, Sheikh Zayed bin Sultan al-Nahyan of Abu Dhabi, President of the UAE, pledged half of Abu Dhabi's future revenue

from oil to the federal budget.

The surplus that remains after those contributions and the foreign aid from Sheikh Zayed's personal pocket and the Abu Dhabi Fund for Arab Economic Development is distributed by the Abu Dhabi Investment Authority which replaced the London-based investment board a year ago.

Dubai, the second largest emirate, is the UAE's commercial capital, a status resting on Port Rashid's capacity to handle imports destined for the whole country rather than on its 350,000 bpd oil production.

The 17-berth port is being extended to 37 berths in addition to the new port under construction at Jebel Ali, Dubai's future heavy industry area and site of the next airport. It is already mooted that Jebel Ali will require large numbers of new immigrant workers and that special immigration arrangements will need to be worked out to ensure their availability.

Dubai has long been a prosperous trading centre and is directed as such by the ruler, Sheikh Rashid bin Saïd al-Maktum, and a core of merchant families to whom he is always available. The 39-storey international trade centre, which has reached its twentieth floor, is seen as a facility which will enable Dubai to retain its entrepot status.

Although trade absorbs the largest part of bank credit in Dubai, the city, like Abu Dhabi, is experiencing a

mania for construction and Sheikh Rashid actively encourages Dubai citizens of modest means to develop their land by building property for rent. Two years ago he created a 200m dirham property fund to extend interest-free loans to citizens for this purpose, repayable out of the rent received on completion of the building.

Last month Sheikh Rashid and Sheikh Zayed both announced new funds to involve citizens in property-based prosperity, in Sheikh Rashid's case by contributing 300m dirham (£43m) personally to a 1,000m dirham (143m) fund to be opened to the public through the public subscription of shares, itself a new concept.

The timing of the announcement, on the same day as a Eurodollar loan and an ECGD-backed fund of credit were started for the construction and equipping of the aluminium smelter, may indicate the internal importance of bringing citizens as well as foreign companies more and more into the economy. Many Dubai merchants are entering into joint construction ventures with large overseas concerns, all of them British to date.

Sharjah, with 50,000 bpd of oil, is promoting itself as a financial service and leisure centre. Ras al-Khaimah, which will become an oil exporter before the end of the year, is the only emirate boasting something like an agricultural base.

Al Fujairah, Ajman and Umm al-Qaywayn are three emirates which have been affected the most dramatically by federal spending and are understandably strong federalists. Until the beginning of this decade individual families supported themselves in considerable poverty by fishing or goat-herding in an almost no-cash economy. All are now witnessing the construction of modern housing and health facilities and transport as well as oil exploration.

Budgeted expenditure on these projects amounted to 4,000m dirhams in 1976 (£570m). The economic and social effect has been the creation of jobs not only through direct spending but also through the expansion of Civil Service departments which have combined to reverse the flow of young people out of the small emirates.

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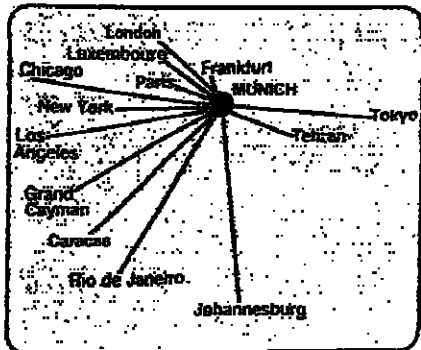
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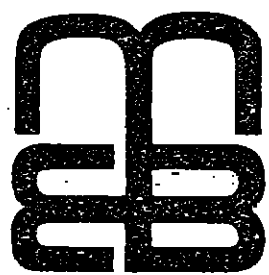
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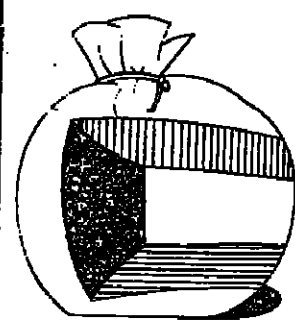
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Equipped to cope with comfort

KUWAIT



by David Blake

Of all the countries in the Middle East, Kuwait is perhaps the one which is best equipped to cope with the sudden upsurge in oil revenues which followed the increase in oil prices in 1973.

The country has long been known to have huge reserves of oil, which make it the third ranking oil state in the world after Saudi Arabia and Iran, both of which have much bigger populations. For a considerable period during the late 1950s and early 1960s, it was the Gulf's biggest producer, and the experience of surpluses which it then accumulated enabled it to develop a system of overseas investment to cope with handling surplus funds.

Domestically, too, the country has been carrying out some of the ambitious industrial and social development plans which could be no more than dreams for other oil producers before the rise in oil prices.

The result has been that Kuwait has been rather less affected than some other

countries by massive economic change in recent years. Income per head has shot up to £5,012 in 1974, compared with £1,471 in Britain, but much of the increase has gone into increased foreign investment and the buying out of foreign stakes in the country's oil industry rather than increased imports for consumption.

There is also a less frenetic air to the country's development plan than exists in some countries where the prospect of the oil running out is a real one. For with an estimated 70 or 80 years' supply still available, even at present rates of production, that prospect is remote. By the time that happens, most Kuwaitis could probably live in great comfort off the earnings from their overseas holdings.

How large these overseas holdings are is not entirely clear but if state and private holdings are added together, then a figure of about \$20,000m would not seem improbable. Those holdings generate earnings of about \$1,000m a year, a sum which is rising fast but which already is worth some £600 a year for every man, woman and child.

The difficulty of running a country which is so rich in such large inflows to the community as a whole is above all that of labour. Labour shortages of all kinds have persistently held back economic development, and pose a threat to the achievement of the ambitious plans of the present development plan, which involves spending \$10,000m over the five years to 1980.

The biggest task facing the country in this period is without doubt housing, which has been allocated some £2,800m in what is to be a crash programme to eliminate some of the worst shortages. Housing is a particularly sensitive issue since some of the worst difficulties are faced by the immigrant workers who have been attracted in increasing numbers to keep the wheels of the Kuwaiti economy turning. They now outnumber native Kuwaitis, and their preponderance in the workforce at 74 per cent is even greater. This is because a high proportion of Kuwaiti citizens are too young to be part of the working population.

The industries which are being most strongly encouraged are the oil-related petrochemical industries. Not only do they have ready access to feedstock, some of which would otherwise be wasted, but they require great quantities of capital, which is available in abundance, and little of the scarce labour.

In spite of attempts to build up this industry, which is expected to absorb some \$3,000m over the next five years, production and the export of crude oil continue to dominate the Kuwaiti economy. Exports in 1976 were about \$8,500m, roughly the same as in 1975 but considerably lower than in 1974, when they were \$9,857m.

The drop was caused by heavy production cutbacks, which in turn were caused by a decline in demand in the West and the fact that Kuwait's oil is relatively expensive. Total production in 1975 was 749,637,000 barrels, compared with 929,400,000 barrels in 1974.

Because of its enormous expenditure on development projects, Algeria is short of cash and thus faces an uphill battle to maintain the high level of its development expenditure. The four-year plan was based on a price of \$16 a barrel for oil and oil receipts have been below this figure since 1974.

Meanwhile, expenditure requirements have increased—the cost of both food and capital requirements goes up all the time. Borrowing abroad has been on a great scale although it is easy to be alarmed: most of the money goes into capital investment and not consumer expenditure. Most modern economies have developed by borrowing money from foreign creditors.

The barriers to development are not peculiar to Algeria although the wrecked state of the country when the French left in 1962 has made matters more difficult. There are three important points. First there are bureaucratic restraints, which as any visitor to Algeria knows, can assume huge proportions and corruption is far from unknown.

There is a lack of trained manpower despite the considerable efforts made to educate young Algerians. Eighty-five per cent of the population was illiterate 14 years ago and time is short, especially when the country's

The fact that Kuwait relies so heavily on a state-owned asset for its prosperity means that the public sector is the most important source of investment and wealth. But there is also a very small number of families which control very substantial fortunes.

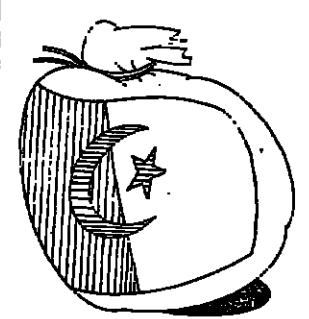
The need for this group to find investments has sparked off a property boom within the country and has also significantly affected the structure of banking in the country. Kuwait limits ownership in banks to Kuwaiti nationals, although there is heavy European and American involvement in management. There are six commercial banks in the country, all operating under the control of the Central Bank.

In addition, the Industrial Bank of Kuwait, also wholly Kuwaiti owned, provides finance for industry, often on excellent terms. The country's three investment companies, which operate in the European market, are also wholly owned by Kuwaitis, with the traditional mix of government and private capital.

So far, foreign involvement has been restricted to an advisory or service role, with some of the world's leading banks setting up companies in Kuwait to provide services to Kuwaiti owned organizations. Kuwait's determination to restrict foreign investors to this rather limited range of activities has led to some criticism. Although there were signs at one time last year that this policy might be relaxed, such action now seems unlikely.

Big spending threatens development

ALGERIA



by Francis Ghiles

As befits a member of OPEC, oil remains Algeria's single most important hard currency earner, contributing 90 per cent of the country's export revenue. Production climbed to 51 million tons in 1973, declined in the next two years, but picked up again in 1975. Some observers thought that Algeria was producing as much oil as it could in 1975 (43 million tons) but in retrospect that appears to have been a pessimistic view.

However, when the head of the state oil company Sonatrach recently forecast that Algeria would be producing 100 million tons of oil a year by 1985, many observers were sceptical. The only way such a forecast could be close to the truth is if Algeria made another important discovery: rumours have been rife in recent months but no official confirmation of a big find has been made.

Trends in future oil production are thus not clear but are important to know: indeed, income from oil exports provides the financial underpinning for Algeria's development effort. When oil production falls, as it did in 1974 and 1975, Algeria has to borrow more on the foreign capital markets or through export credits to realize the ambitious goals of its four-year \$27,500m development plan scheduled for completion at the end of the present year.

Over the longer term, Algeria is making a big

effort to build a gas export industry which will eventually replace oil exports. Algeria's biggest gamble concerns natural gas, all the more difficult to pull off because of the highly complex technology involved, the size of the liquefying plant and liquefied natural gas ships, not to mention the financing.

By far the largest contracts, six so far, have been signed with American companies; they provide for the shipping of 1,200,000 cu ft of liquefied natural gas by 1980. The United States Federal Energy Agency and the Federal Power Commission have not yet granted approval and will not do so for many months. The reasons are not hard to understand.

The United States needs gas badly; whereas world wide there is a surplus of oil and sufficient shipping capacity to deliver it, such is not the case with gas which supplies 30 per cent of all American energy needs and feeds industries for which substitute fuels are not suitable. The United States is running out of gas and there is not time enough to avoid a shortage by providing substitute fuels.

Against this pressing need one must mention bureaucratic delays, the divergence between government and industry and more basically the lack of any government policy, all of which are slowing down the decision-making process.

These delays are not entirely surprising: the authorities are afraid of becoming too dependent on one source of energy coming from one country. Furthermore, contracts would run for 20 to 25 years, not a length of time the authorities are used to. The problems of financing remain considerable despite the fact that Algeria has been able to borrow considerable amounts of money.

Last, but not often mentioned, many officials in Washington are afraid that Algeria will play politics with its gas. This seems unlikely on the face of it

because turning off the gas taps would be a ruinous proposition and Algeria could ill afford it. The country's leaders are intent on building a solid industrial base and, however much they may pursue radical policies in foreign affairs, Algeria's economic interests remain paramount. The authorities do not mix business with politics.

The gas programme, however, is running 18 months late and export capacity is sure to be well below the set set for 1980, 48,600 cu metres. How far below can only be guessed: 50 per cent at least say the pessimists, less say the optimists who point out that Algeria has pulled off some remarkable gambles since it became independent in 1962.

Because of its enormous expenditure on development projects, Algeria is short of cash and thus faces an uphill battle to maintain the high level of its development expenditure. The four-year plan was based on a price of \$16 a barrel for oil and oil receipts have been below this figure since 1974.

Meanwhile, expenditure requirements have increased—the cost of both food and capital requirements goes up all the time. Borrowing abroad has been on a great scale although it is easy to be alarmed: most of the money goes into capital investment and not consumer expenditure. Most modern economies have developed by borrowing money from foreign creditors.

The barriers to development are not peculiar to Algeria although the wrecked state of the country when the French left in 1962 has made matters more difficult. There are three important points. First there are bureaucratic restraints, which as any visitor to Algeria knows, can assume huge proportions and corruption is far from unknown.

There is a lack of trained manpower despite the considerable efforts made to educate young Algerians. Eighty-five per cent of the population was illiterate 14 years ago and time is short, especially when the country's

planners systematically buy the most advanced machinery they can find. Algeria's desire for self-reliance and control over its own affairs is very strong but too many consultancy contracts are handed out at highly over-inflated prices.

Finally, physical capacity restraints are severe: the rapid pace of building has resulted in the supply of cement, water and transport service often outstripping supply.

The cost of delays is well illustrated by the fact that the state shipping company Compagnie Nationale Algérienne de Navigation (CNAN), which will normally haul 50 per cent of gas in any deal, has had to lay up the 125,000 cu metres liquid natural gas container ship Ben Boulaid it took delivery of last autumn.

The lay-up costs are expensive: berth preparation (\$133,000, once only); monthly running (\$33,000) and recommissioning (\$330,000, once only). Another five ships are scheduled for delivery between August, 1977, and December, 1978. CNAN is reckoned to be the most efficient shipping company in the Arab world, an aggressively commercially minded one as its organization of trips to Mecca during the pilgrimage well show. But if the gas programme is late, CNAN faces highly increased costs. CNAN says that during the early years interest costs could eat up 80 per cent of total revenues.

Hence the resistance of some bankers to lending more money to Algeria which borrowed an estimated \$1,000m on the Euromarkets in 1976. CNAN is negotiating a \$200m loan in London but has fiercely resisted any increase in the spread it paid last time, that is 1½ per cent over London Inter-Bank Offered Rate. The company has been helped by declining rates but if rates were to rise, as they seem likely to do this year, bargaining could get really tough.

The author is a staff writer on Euro money and a specialist on North African affairs.



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Business recovery comes as surprise



by Cockburn

factories which were lost were nearly all small. Once business was given sufficient capital, small enterprises could be set up again fairly quickly. Greek Cypriots also tend to be well educated: one in 40 is a student and in the towns bilingualism in Greek and English is common.

The capital to reequip industry and agriculture came partly from the Bank of Cyprus but mainly from foreign loans and grants. Since the total number of Greek Cypriots is only a little over half a million, aid from Greece, the United States and the EEC countries goes a long way. The World Bank, for instance, is lending \$14m towards the cost of the \$45m Paphos irrigation scheme on the west of the island.

On top of this the Greek Cypriots had some luck. There has not been a really bad harvest since 1973 and last year the potato crop brought in £28m as prices in Britain, the main export market, soared. Then the civil war in Lebanon brought in 75,000 Lebanese who filled the previously empty hotels. Bona fide tourists from Britain began to come back.

Enormous difficulties remain. Until there is some sort of settlement it is unlikely that there will be substantial private investment from overseas. With Cyprus, where traditionally money is invested in land and property, long-term projects are still regarded with probably unnecessary caution by business. "Today capital is not moving, most of it is in current account," a leading Central Bank official remarked in the middle of last year.

There are also practical difficulties. Nicosia's airport is still out of operation, the road between Larnaca and Nicosia is cut and many businesses are absorbing the losses they suffered in 1974. Institutions like the Cyprus Development Bank suffered particularly badly.

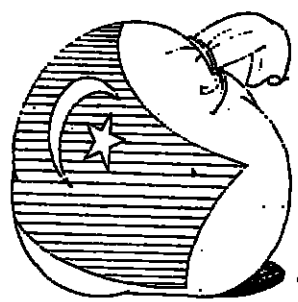
But the war has made Cyprus more conscious of its position and advantages as an island close to Syria and Lebanon. In future the Cypriot economy will probably be increasingly oriented away from its traditional markets in Britain and Western Europe, towards the Middle East.



Some of Istanbul's 4,500,000 people. Unemployment plagues the Turkish economy as people leave the farms faster than industry can absorb them.

Two difficult years for odd man out

TURKEY



by Betty Yaser

Turkey is something of a phenomenon in the Middle East, fitting into no particular category. Although the population is mostly Muslim, it is a secular state and a republic. Turkey is also non-Arab and can only manage to meet a quarter of its crude oil needs from domestic sources. Geographically situated as a land bridge between Europe and Asia, with a 610km border with Russia, Turkey has long been a long-standing NATO ally and is

seeking full membership of the EEC. Turkey embarked on an ambitious industrialization plan in 1962 and has maintained a most impressive growth rate averaging 7 to 8 per cent, despite setbacks in agriculture. Per capita income is about \$380.

The industrialization programme calls for large-scale imports, which in most years has resulted in a foreign exchange deficit. But remittances from the million Turks abroad (reaching \$1,500m in one year) alleviate the deficit. Exports are mostly of an agricultural nature, though more diversified and containing more manufactures than most Middle East countries.

Turkey has been affected by the oil crisis. Expenditure on oil took up more than 45 per cent of export earnings in 1976. The recession in world trade lowered the expected export growth, and inflation within Turkey has been greatly accelerated by increased world prices.

Inflation has been 15 to 25 per cent a year for the past few years and does not seem to be easing. Unemployment and underemployment plague the Turkish

economy as people leave the farms faster than newly developing industry can absorb them. The labour force also grows rapidly because of the 2.4 per cent annual population growth rate.

The past two years have been particularly difficult for Turkey politically and economically. It is striving to operate within a democratic framework despite coalition stalemates, but the conflicts within the Government have led to delays in making economic decisions.

The decision to intervene in Cyprus in the summer of 1974 resulted in an arms embargo by the United States, which put sharp pressure on the defence budget. It also tended to bring the Turks closer to the Eastern block, as witnessed by several economic agreements with the Soviet Union, Romania and Bulgaria.

Turkey has become friendlier with the Arab world, particularly Iraq, and with Iran. At the same time, relations with the EEC have deteriorated, partly because Turkey does not believe it has received the special concessions granted to third countries. Enthusiasm for

membership of the EEC has waned in Turkey.

The private sector is important in industrial production, but the state was the initiator of modern growth with the establishment of Sumerbank in 1955. The state set up several bank/holding companies which not only performed commercial banking operations but also had industrial subsidiaries.

These banks generally give specialized loans but compete with private banks for funds. There are 22 private commercial banks, six foreign and two small local banks. Branch banking is extensive with more than 4,420 branches throughout Turkey and abroad.

The use of banking services has grown steadily even though there is still no widespread use of cheques. Banks are subject to a special banking law and the commercial code. The Central Bank establishes the interest and discount rate structures, reserve requirements and other interfaces in other ways to limit credit according to plan targets.

The Central Bank also administers all foreign exchange transactions, leaving little initiative to banks. The Ministry of Finance sets the foreign loan and deposit criteria, restricting and releasing the flows as necessary. As a result the Turkish commercial banking system is not very flexible and banks often resort to non-price competition.

Foreign banks, restricted by the Banking Law, are not very active and foreign investment is small in Turkey. There is not much likelihood that foreign banks will be welcomed. Turkish banks have recently become more active in attracting foreign deposits with the reactivation of the convertible lira deposit accounts.

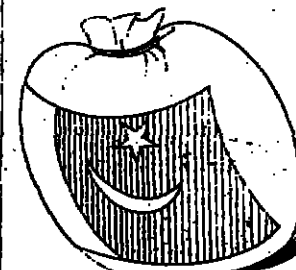
These accounts allow foreigners and Turks abroad to deposit foreign exchange with a guaranteed exchange rate and interest at 1.75 per cent net over the Euro-market rate. The funds can be lent by the banks in either foreign exchange or Turkish lira, thus creating credit flows in Turkey and a course of short and medium-term foreign deficit finance.

Turkey hopes to attract oil producers' capital eventually through the higher interest rate incentive, but in the meantime is attracting the capital of some foreign banks, individuals, and parent companies wishing to finance their Turkish subsidiary.

With the growth of the Turkish economy and its dealings abroad it is expected that the banking system will be given more flexibility to act on its own initiative. Evidence of this already exists.

Floods and pests cut back cotton crop

PAKISTAN



by Hasan Akhtar

Pakistan's predominantly agrarian economy is in transition with foundations being laid for heavy manufacturing industry and remunerative agriculture. The immediate outlook does not appear too bright but the diversion of a sizeable chunk of resources is expected to accelerate the pace of development when various projects initiated by government in industrial and agricultural sectors go into production.

Even three decades after independence Pakistan is heavily dependent on nature's bounties for its economic health. Favourable weather yields a rich harvest, foreign exchange earnings increase industrial production and the buoyant economy is reflected in greater economic activity and better employment opportunities whereas vagaries of weather can drastically and suddenly change the entire picture.

During the current year Pakistan faces prospects of its biggest deficit in its balance of payments because of a failure for the second consecutive year of the cotton crop, the country's principal foreign exchange earner. The expected gap of \$850m in foreign trade is expected to rise to \$1,000m because there were no exports of cotton. Cotton yarn and textile exports were expected to earn \$570m out of total exports of \$1,250m. Floods and pests destroyed hopes of a bumper cotton crop and, as against an estimated four million bales, only 2,900,000 bales are expected. Two million eight hundred thousand bales are required for processing by indigenous industry.

An improvement in the export of textiles, rice, leather, fish and carpets may reduce the gap to some extent. If this happens Pakistan could be lucky to maintain the level of the previous year's exports and a 3 per cent economy growth rate.

Fuel, food and fertilizer account for about 50 per cent of Pakistan's import bill. It is intended to cut down their import through substitution from domestic sources. The country has crossed the threshold of self-sufficiency in wheat and sugar. Steps are also under way to replace the import of edible oils costing \$120m through the cultivation of oil rich seeds.

Significant results have been achieved in the manufacture and export of heavy machinery. A heavy mechanical complex near Rawalpindi, equipped to manufacture sugar and cement plants, is making four complete sugar plants based on the latest techniques. The Rawalpindi complex built and equipped by China and some East European countries with possible French assistance and Gulf States money are said to be helping Pakistan in building its armaments industry.

The Government's socialist economic programme and nationalization of all vital sectors of industrial production and finance have brought private investment almost to a standstill.

Foreign investment remained untouched, but in five years the Government took over from private control banks, life insurance, shipping, various agrarian-based industries and 10 key industries. In an effort to attract foreign private investment the Government formulated a scheme for a duty-free processing zone for exportable manufactures. Commercial banks were nationalized in January, 1973. Banking, however, continues to be expanded. Rural areas and priority sectors are receiving an inflow of credit. Two thousand new bank branches have been set up to cover towns and large villages. In three years bank advances rose by 50 per cent representing Rs 10,350m. Bank deposits were at a highest level of more than Rs 29,280m with Rs 3,260m increase in the previous year alone.

Special financial institutions have also been operating to extend credit to industries in public and private sectors and to meet loan requirements of specific sectors such as agriculture and housing.

Portfolio of joint ventures grows

Prices keep exerting upward pressure although a slight improvement has been discernible lately. The portfolio of joint ventures with the Middle East and African countries has expanded vastly. Pakistan's concentration on obtaining financial assistance from these countries has yielded tangible results in securing Iranian, Saudi, Libyan and United Arab Emirates financial support in establishing fertilizer factories, livestock complexes, a refinery, joint shipping lines, a publishing house and a holding investment company.

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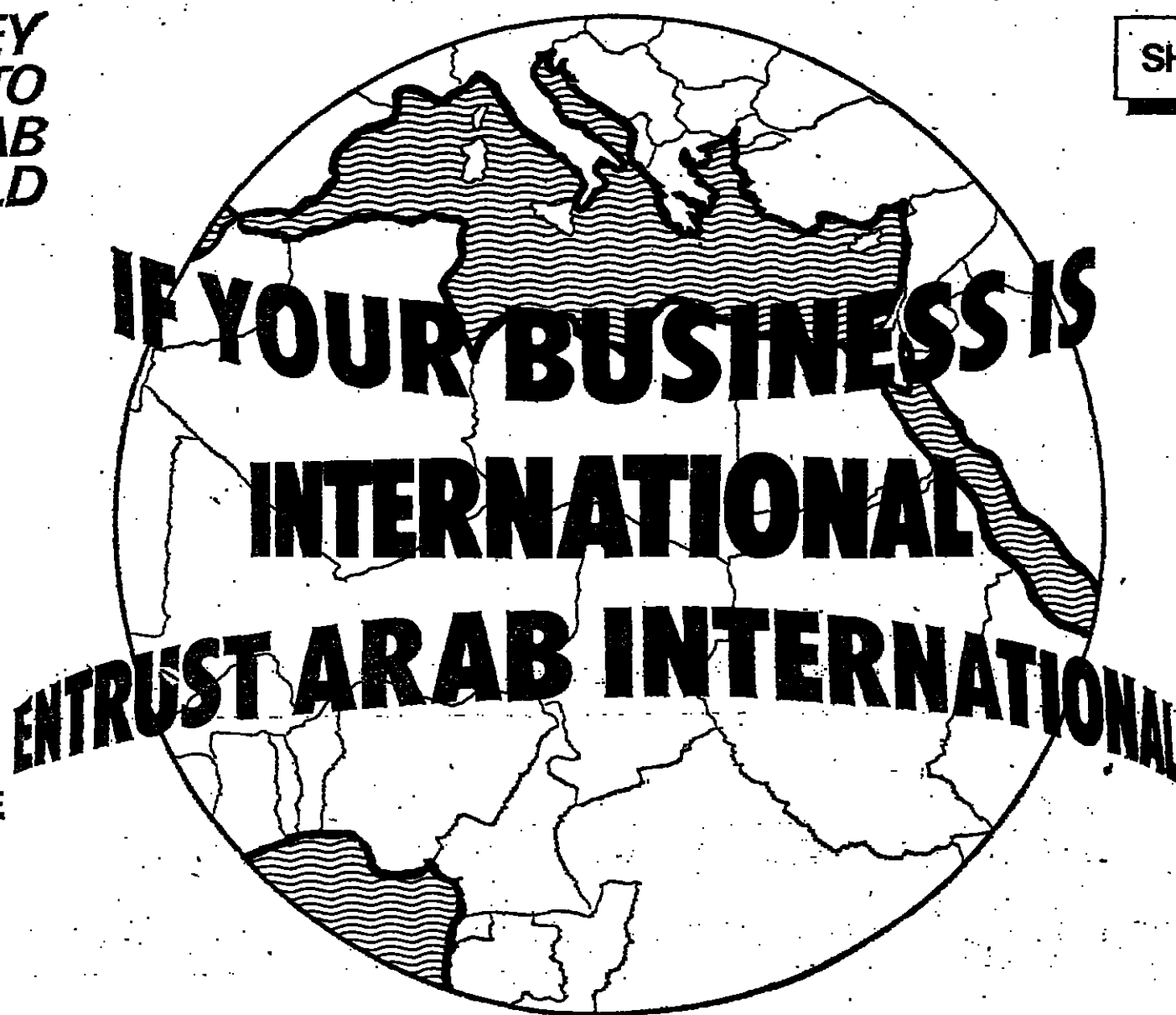


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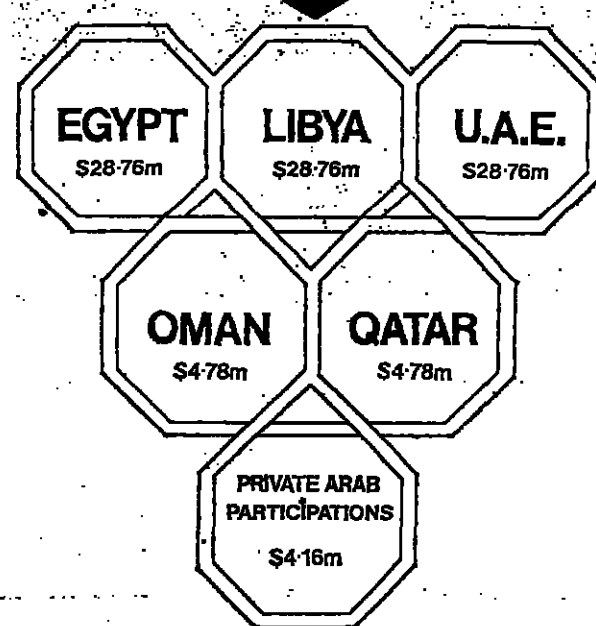
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TOTAL ASSETS/LIABILITIES	22.31	366.46

	\$ MILLION
CAPITAL FULLY PAID	100.00
RESERVES	50.00
DEPOSITS AND CURRENT ACCOUNTS	441.28
TOTAL ASSETS/LIABILITIES	647.69

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